A Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Robert F. McDonnell
Governor

Richard D. Brown
Secretary of Finance

David A. Von Moll
Comptroller

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INTRODUCTORY SECTION

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Organization of Executive Branch of Government
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COMMONWEALTH of VIRGINIA

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COMPTROLLER

Office of the Comptroller

P. O. BOX 1971
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December 15, 2011

The Honorable Robert F. McDonnell
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia 23219

Dear Governor McDonnell:

It is my pleasure to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011, in accordance with Section 2.2-813 of the *Code of Virginia*. This report consists of management's representations concerning the Commonwealth of Virginia's finances. Management assumes full responsibility for the completeness and reliability of all information presented. This report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). Data presented in this report is believed to be accurate in all material respects, and all disclosures that are necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

The 2011 CAFR is presented in three sections. The Introductory Section includes this transmittal letter and organization charts for state government. The Financial Section includes the State Auditor's Report, management's discussion and analysis (MD&A), audited government-wide and fund financial statements and notes thereto, required supplementary information other than MD&A, and the underlying combining and individual fund financial statements and supporting schedules. The Statistical Section sets forth selected unaudited economic, financial trend, and demographic information for the Commonwealth on a multi-year basis.

The Commonwealth's management is responsible for the establishment and maintenance of internal accounting controls that ensure assets are safeguarded and financial transactions are properly recorded and adequately documented. To ensure that the costs of controls do not exceed the benefits obtained, management is required to use cost estimates and judgments to attain reasonable assurance as to the adequacy of such controls. The Commonwealth's established internal controls fulfill these requirements.

In accordance with Section 30-133 of the *Code of Virginia*, the Auditor of Public Accounts has audited the Commonwealth's financial statements for the year ended June 30, 2011. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The auditor's opinion is included in the Financial Section of this report. Audit testing for compliance with the Federal Single Audit Act Amendments of 1996 and the related OMB Circular A-133 is performed at the statewide level. The Commonwealth's Single Audit Report will be issued at a later date. I would like to acknowledge the Auditor of Public Accounts' staff for their many contributions to the preparation of this report.

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. In addition to the financial analysis addressing the Commonwealth's governmental and business-type activities, the MD&A focuses on the Commonwealth's major funds: the General Fund, the Commonwealth Transportation Special Revenue Fund, the Federal Trust Special Revenue Fund, the Literary Special Revenue Fund, the State Lottery Fund, the Virginia College Savings Plan Fund, and the Unemployment Compensation Fund. The Commonwealth's MD&A can be found on page 27 immediately following the independent auditor's report.

PROFILE OF THE GOVERNMENT

REPORTING ENTITY

For financial reporting purposes, the Commonwealth's reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete (discrete component units). The funds and accounts of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. Further information can be found in Note 1.B. to the Financial Statements.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, as well as the Commonwealth's ability to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth. The Commonwealth's discretely presented major component units are the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University.

The Commonwealth and its component units provide a wide range of services and funding to its citizens, including elementary, secondary and higher education; health and human services; economic development; environment and natural resources; public safety, corrections, and regulation; transportation; agriculture; and general government services. The financial activities associated with these services are reflected in both summary and detail throughout the CAFR.

BUDGETARY CONTROL

In addition to the internal controls previously discussed, the Commonwealth maintains budgetary controls to ensure compliance with the legal provisions of the Commonwealth's Appropriation Act, which reflects the General Assembly's approval of a biennial budget. The financial transaction process begins with development and approval of the budget, after which budgetary control is maintained through a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of agency budgets.

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly on a biennial basis at the program level. The Commonwealth monitors spending activity to ensure the expenditures do not exceed the appropriated amounts at the agency level. The State Comptroller maintains a central general ledger that records total appropriations and related expenditures for all agencies and institutions included in the approved budget. Systemic controls are in place to prevent disbursements that exceed authorized appropriations. Additional information regarding the Commonwealth's budgetary process can be found in Note 1.E. to the Financial Statements.

Local Economy

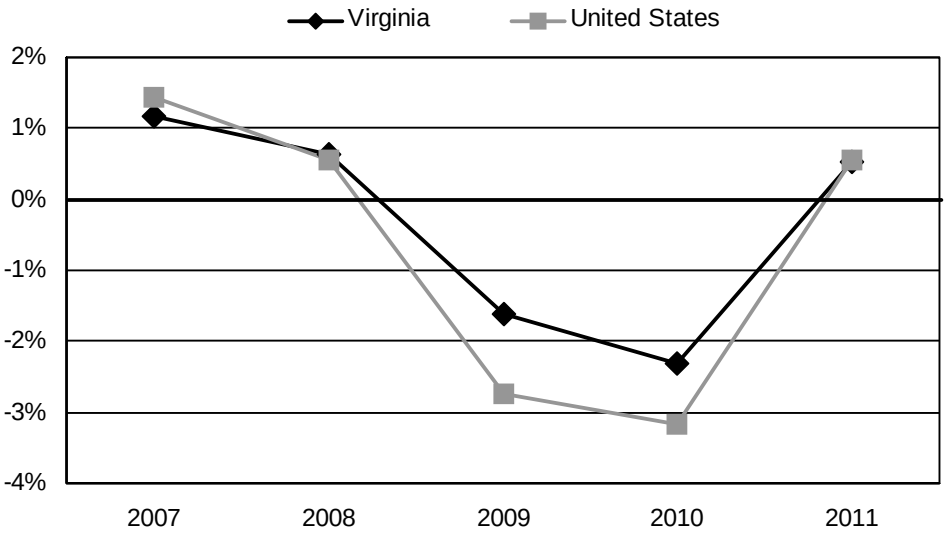
Introduction

This economic overview for the Commonwealth of Virginia was prepared by the economics research team at Virginia Commonwealth University's Center for Urban Development. In fiscal year 2011, Virginia's economy began what appears to be a slow recovery path following the so-called "Great Recession" – the worst financial and economic downturn in the United States since the "Great Depression" of the 1930's. It is still too early to tell whether this downturn has been reversed for the state and the nation. Data presented in this report, however, allow us to be fairly optimistic – particularly for Virginia, where the recent upturn in economic indicators has been greater than at the national level. All of the data are the most recent available for the time period covered. This means that many of the earlier observations in last year's analysis have been revised to incorporate new benchmarks and more plentiful information.

Employment

After a dramatic decrease of 3.9 percent and the loss of almost 150,000 jobs between fiscal years 2007 and 2010, Virginia's nonfarm payroll employment experienced slight growth to a level of 0.5 percent in fiscal year 2011 (see **Figure 1**). The change in employment was small (just 18,600 jobs created in fiscal year 2011) and it is still too early to know for sure if the economic downturn has reversed.

Figure 1
Annual Percentage Change in Nonfarm Payroll Employment
Fiscal Years 2007 - 2011



Source: U.S. Bureau of Labor Statistics

Figure 2 shows changes in Virginia's nonfarm employment by industry for fiscal years 2007 - 2011, along with the employment change between fiscal years 2010 and 2011 for Virginia and the U.S. Fiscal year 2011 showed timid signs of economic recovery at both the state and national levels, following a three-year period (from 2008 to 2010) in which almost all industry groups experienced significant job losses. Notable exceptions to the upturn in fiscal year 2011 are construction, manufacturing, information services, financial activities, leisure and hospitality, and local government. Each of these sectors had a decline in employment between fiscal years 2010 and 2011. The largest decreases in nonfarm employment in Virginia, between fiscal years 2010 and 2011, were in information services (a loss of 4.4 percent, or 3,400 jobs) and local government (a loss of 1.9 percent, or 7,200 jobs).

Figure 2
Nonfarm Payroll Employment
Fiscal Years 2007 - 2011

	Virginia Employment (000)					Change, Fiscal Year 2011 over Fiscal Year 2010		
						Virginia		U. S.
NAICS Industry*	2007	2008	2009	2010	2011	Number (000)	Percent	Percent
Mining and Logging	11.2	10.8	10.9	10.1	10.4	0.3	3.0	10.1
Construction	244.7	232.7	206.2	184.0	183.5	(0.5)	(0.3)	(2.6)
Manufacturing	282.8	271.5	252.5	233.1	230.9	(2.2)	(0.9)	0.8
Wholesale Trade	120.6	120.5	116.6	109.9	111.0	1.1	1.0	0.3
Retail Trade	425.4	426.2	409.3	396.9	402.3	5.4	1.4	0.4
Transportation and Utilities	119.4	119.7	116.2	111.8	112.3	0.5	0.4	1.2
Information Services	91.2	89.1	84.5	77.9	74.5	(3.4)	(4.4)	(1.8)
Financial Activities	195.1	191.1	184.5	177.9	177.4	(0.5)	(0.3)	(0.8)
Professional and Business Services	637.6	653.3	649.9	640.4	657.2	16.8	2.6	2.5
Educational and Health Services	411.9	430.4	444.9	452.8	459.3	6.5	1.4	2.1
Leisure and Hospitality	342.4	348.6	345.1	339.4	335.3	(4.1)	(1.2)	0.9
Other Services	183.6	187.3	187.8	185.0	185.5	0.5	0.3	1.5
Federal Government	156.3	157.4	163.2	171.0	173.3	2.3	1.3	(2.3)
State Government	153.2	153.2	153.5	152.8	156.0	3.2	2.1	(0.4)
Local Government	370.1	377.0	382.3	379.1	371.9	(7.2)	(1.9)	(1.7)
Total	**3,745.5**	**3,768.8**	**3,707.4**	**3,622.1**	**3,640.8**	**18.7**	0.5	0.5

Source: U. S. Bureau of Labor Statistics
* North American Industry Classification System

Figure 3 shows the annual percentage change in nonfarm employment for ten of the eleven Metropolitan Statistical Areas (MSAs) in Virginia. The Kingston-Bristol MSA is not included in this table because most of it is located in Tennessee and data are not reported separately for the Virginia portion of the MSA. It should be noted, also, that three MSAs – Northern Virginia, Virginia Beach-Norfolk-Newport News (typically referred to as the Hampton Roads MSA), and Richmond – have accounted for over 75 percent of Virginia's nonfarm payroll employment in recent years. This is particularly significant when we compare data from fiscal year 2011 with fiscal years 2009 and 2010. In fiscal years 2009 and 2010, each of Virginia's MSAs experienced job losses. In 2011, however, over half of the MSAs reversed this negative trend and, once again, had positive job growth. The Northern Virginia MSA alone increased its employment by 14,600, a positive percentage change of 1.1 percent over fiscal 2010. In the Richmond and Hampton Roads MSAs, however, declines in employment continued (combined, a loss of almost 3,000 jobs).

Figure 3
Nonfarm Payroll Employment in Virginia's MSAs
Fiscal Years 2007 - 2011

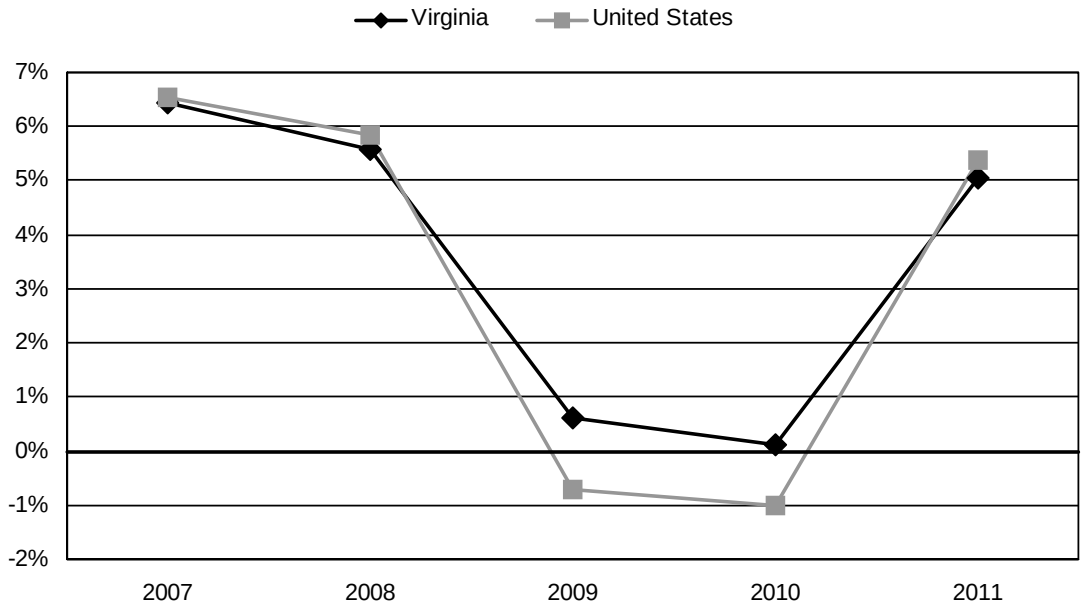
	Percent Change				
Area	**2007**	**2008**	**2009**	**2010**	**2011**
Virginia	**1.2**	**0.6**	**(1.6)**	**(2.3)**	**0.5**
Metropolitan areas[a]					
Blacksburg-Christiansburg-Radford	(0.6)	(0.0)	(0.6)	(3.8)	(0.1)
Charlottesville	4.0	1.4	(1.6)	(1.9)	0.8
Danville	(4.7)	0.4	(1.4)	(4.1)	1.7
Harrisonburg	3.6	(1.4)	(1.7)	(1.7)	1.3
Lynchburg	1.5	1.1	(1.5)	(4.1)	1.1
Northern Virginia	1.6	0.8	(0.9)	(0.8)	1.1
Richmond	1.8	0.3	(2.0)	(3.2)	(0.1)
Roanoke	1.2	(0.1)	(2.2)	(3.0)	(0.5)
Virginia Beach-Norfolk-Newport News[b]	0.8	0.2	(2.4)	(2.6)	(0.3)
Winchester[c]	2.9	(2.0)	(3.5)	(2.8)	2.4

Source: U. S. Bureau of Labor Statistics
(a) Excludes Kingsport-Bristol MSA, most of which is located in Tennessee
(b) Includes portion in North Carolina
(c) Includes portion in West Virginia

Personal Income

Personal income is an important indicator of Virginia's economy because most of the state government revenues, income and retail taxes in particular, are directly or indirectly related to personal income. As shown in **Figure 4**, personal income increased dramatically in fiscal year 2011. Following three years of declining personal income, there was an increase of 5.0 percent in Virginia and 5.4 percent at the national level.

Figure 4
Percentage Change in Personal Income
Fiscal Years 2007 - 2011



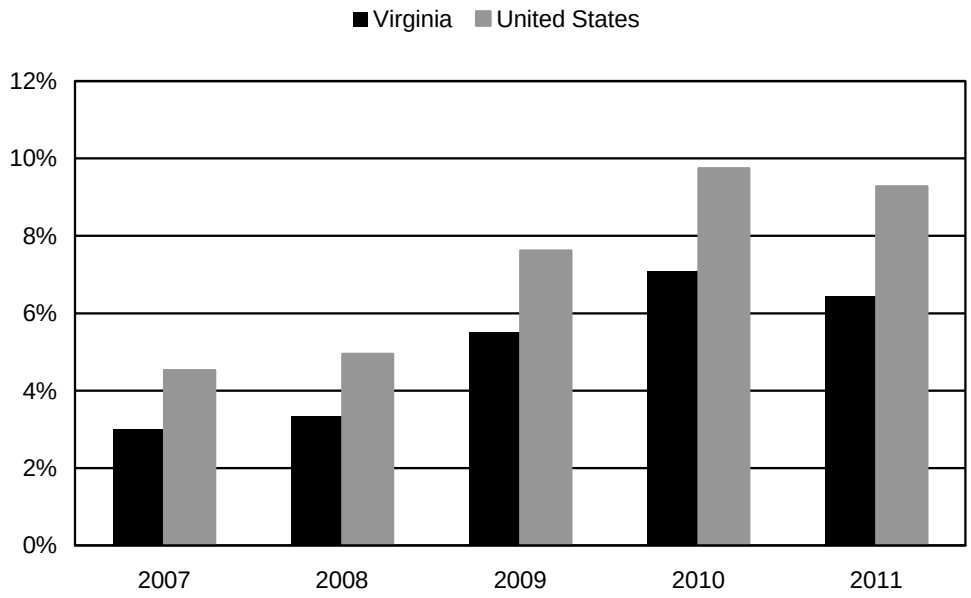
Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

Each of the three major components of personal income – net earnings by place of residence; dividends, interest and rent; and transfer payments – experienced a significant increase during fiscal year 2011. The most important of these three components (net earnings by place of residence) grew only 4.3 percent in Virginia, however, as compared with 5.2 percent growth for the U.S.

Unemployment

After three fiscal years (2008, 2009, and 2010) during which unemployment grew dramatically, the unemployment rate finally decreased at both the state and national levels in fiscal year 2011 (**Figure 5**). Although we are still far from the low unemployment rates of the period before the recent recession (3.0 percent in Virginia and 4.5 percent in the U.S., during 2007), the decline in unemployment rates is an important indicator that allows us to be optimistic for the future of Virginia's economy.

Figure 5
Civilian Unemployment Rate
Fiscal Years 2007 - 2011



Source: U.S. Bureau of Labor Statistics and Virginia Employment Commission

Figure 6 shows unemployment rates for each of Virginia's MSAs over a period of five fiscal years. Each MSA had a lower unemployment rate in fiscal year 2011 than in fiscal year 2010, although some, primarily Danville and Kingsport-Bristol, maintained rates that were significantly higher than the state average. In contrast, the lowest unemployment rates in fiscal year 2011 were in the Northern Virginia (4.8 percent) and Charlottesville (5.4 percent) MSAs.

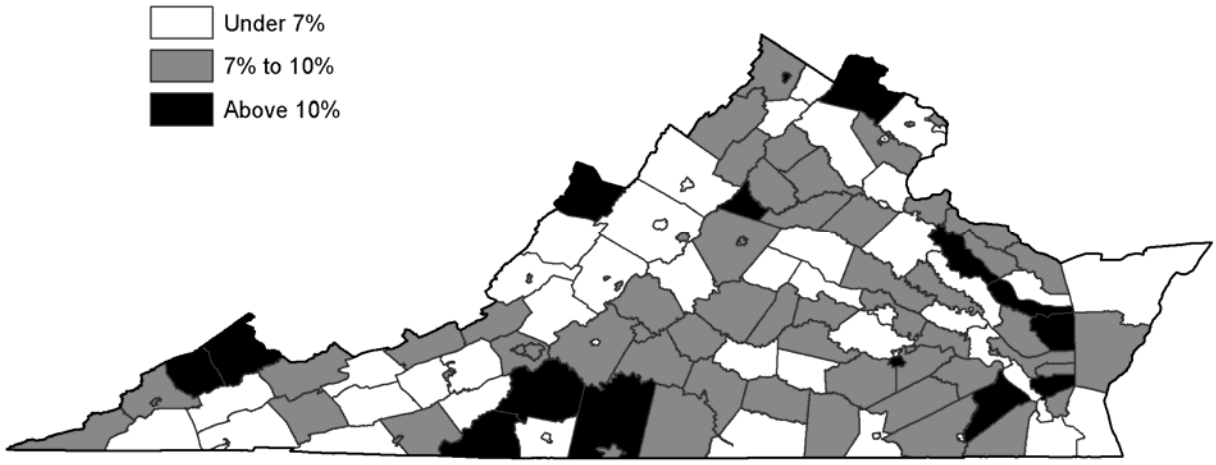
Figure 6
Civilian Unemployment Rate for Virginia's MSAs
Fiscal Years 2007 - 2011

Area	Unemployment Rate (Percent)				
	2007	2008	2009	2010	2011
Virginia	**3.0**	**3.3**	**5.5**	**7.1**	**6.5**
Metropolitan areas					
Blacksburg-Christiansburg-Radford	3.7	4.0	7.0	8.6	7.4
Charlottesville	2.5	2.7	4.6	6.0	5.4
Danville	6.7	6.4	10.3	12.0	10.4
Harrisonburg	2.5	3.0	5.2	6.6	6.2
Kingsport-Bristol*	4.4	4.8	7.2	9.3	8.6
Lynchburg	3.3	3.6	6.0	7.9	7.2
Northern Virginia	2.2	2.5	4.2	5.3	4.8
Richmond	3.1	3.5	6.0	8.0	7.3
Roanoke	3.1	3.4	5.7	7.7	6.9
Virginia Beach-Norfolk-Newport News*	3.2	3.6	5.7	7.4	7.1
Winchester*	2.8	3.5	6.4	7.6	6.5

Source: U.S. Bureau of Labor Statistics and Virginia Employment Commission
* Includes only the portion of the MSA located in Virginia

In **Figure 7**, each of Virginia's localities (95 counties and 39 independent cities) is color coded according to its unemployment rate. Three categories are represented on the map: unemployment rates that are under 7 percent, 7 to 10 percent, and above 10 percent. The map for fiscal year 2011 includes localities with higher unemployment rates (above 7 percent) in most of Virginia's MSA regions – including Northern Virginia and Hampton Roads.

Figure 7
Unemployment Rate by Locality
Fiscal Year 2011

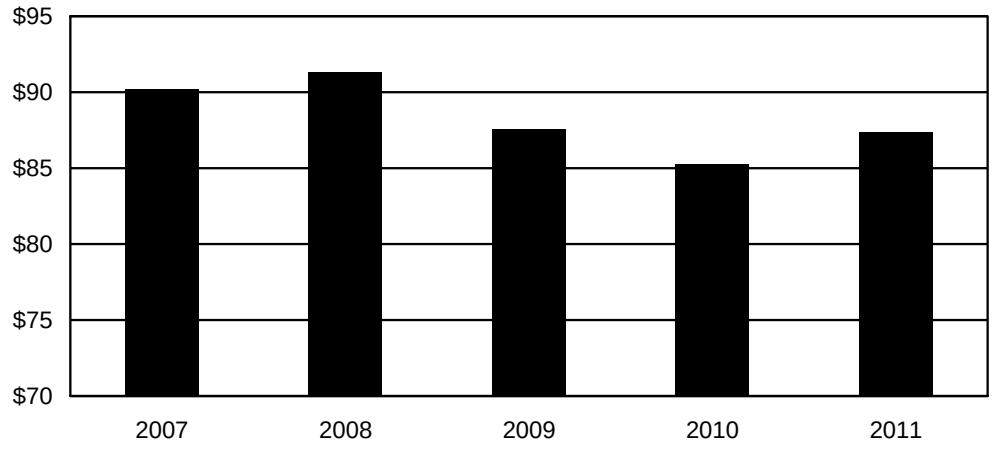


Source: Virginia Employment Commission

Taxable Sales

Since current data on retail sales are not produced for states, this report follows the approach used in previous years and presents information on taxable sales. These data are used as a proxy for retail sales, even though they do not include motor vehicle and motor fuel sales. (Unlike the Census Bureau's data on retail sales, however, taxable sales includes sales at restaurants and lodging places.) **Figure 8** shows that after two years of sharp decline, fiscal year 2011 registered a slight upturn with total taxable sales around $87 billion. This level was 2.5 percent greater than fiscal year 2010, but still down from a high during the five-year period of $91 billion in fiscal 2008.

Figure 8
Taxable Retail Sales in Virginia
Fiscal Years 2007 – 2011

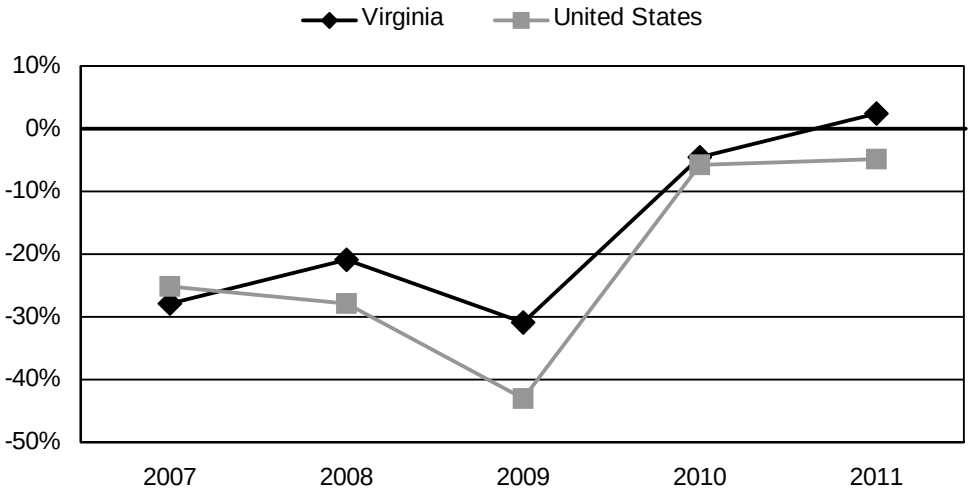


Source: Virginia Department of Taxation

Housing Market

After three fiscal years of dramatic decline (fiscal years 2007 to 2009) where the annual percentage change in new privately owned housing units authorized in Virginia ranged between negative 20.0 percent and negative 30.0 percent, fiscal years 2010 and 2011 showed some signs of recovery, especially in Virginia. While fiscal year 2010 still showed a decline in new units authorized (percentage change of negative 4.5 percent), Virginia experienced a positive, although small, percentage change (2.5 percent) in fiscal year 2011 for the first time since the recession. For the U.S. as a whole, however, the decline is still ongoing (percentage change of negative 4.9 percent in fiscal year 2011), although not at the high levels reached during the recession – a time when the percentage change in new units authorized dropped to a low of negative 42.9 percent in fiscal year 2009 (**Figure 9**).

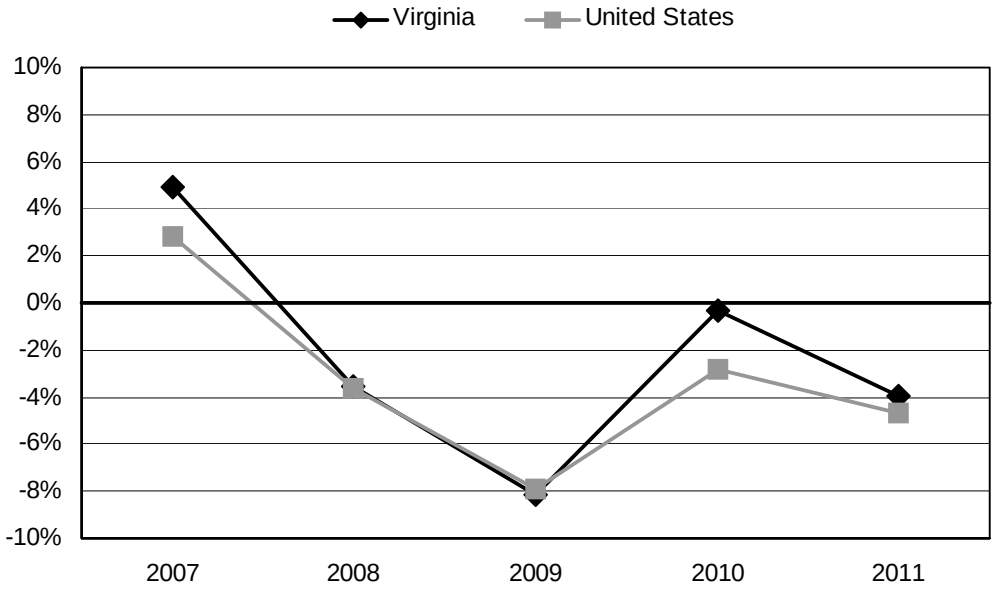
Figure 9
New Privately Owned Housing Units Authorized
Annual Percentage Change
Fiscal Years 2007 – 2011



Source: U.S. Census Bureau

Finally, another indicator for understanding Virginia's housing market is the percentage change in house prices published by the Federal Housing Finance Agency. **Figure 10** shows what can be considered the most significant negative data for fiscal year 2011 included in this report. Following a steep decline during the economic recession (a drop of almost 8.0 percent at both state and national levels) and a timid recovery in 2010 (a decline of only 0.4 percent in Virginia), fiscal year 2011 saw housing prices dropping again. During fiscal year 2011, housing prices fell by 4.0 percent in Virginia and 4.7 percent nationally.

Figure 10
Percentage Change in Housing Prices
Fiscal Years 2007 - 2011



Source: Federal Housing Finance Agency

Conclusion

Fiscal year 2011 can be considered as a year of economic growth, following the previous three years when the Great Recession severely impacted the state and national economies. It is still too early to know if the upturns are trends that will continue, but economic indicators are showing positive signs. While it is important to keep in mind that most of the data presented in this report for fiscal year 2011 are at levels lower than they were before the recession, fiscal year 2011 data allow us to be optimistic for Virginia. The Commonwealth has performed better than the nation in many areas of growth. Most of the success of this recovery, however, will depend on the next fiscal year, when the economic indicators need to confirm these signs of economic recovery.

MAJOR INITIATIVES

The CAFR has received unqualified audit opinions from fiscal year 1986 through fiscal year 2010. During this period, the Commonwealth has also received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. While we are very proud of these unqualified audit opinions and awards, we must be mindful of the fact that they are not automatic. The successes of the State Comptroller's office are directly attributable not only to the professionalism, experience and integrity of the State Comptroller's technical and accounting personnel, but also to the professionalism, experience and integrity of the financial and accounting personnel throughout the Commonwealth. These major initiatives will support efforts to continue our legacy of quality financial management.

LONG-TERM FINANCIAL PLANNING

In 1992, an amendment to the Constitution of Virginia required the establishment of a Revenue Stabilization Fund. Annually, revenue collections are evaluated to determine whether deposits are required to the Fund. Withdrawals can only occur if the general fund revenues appropriated exceed the revised general fund revenue forecast by more than two percent of the certified tax revenues collected in the most recently ended fiscal year. Additionally, a withdrawal from the Fund cannot compensate for more than one-half of the difference between the general fund appropriations and revised estimate nor can it exceed more than one-half of the Fund balance. Further, pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. This is an increase of the previous limit of 10 percent.

ENTERPRISE APPLICATION PROJECT

The Cardinal Project represents a shared vision between the offices of the Secretary of Transportation, Secretary of Finance and the Virginia Information Technologies Agency to replace the Commonwealth's financial system (CARS) and the Virginia Department of Transportation's (VDOT) financial system with a modern enterprise wide financial system (base financial system). The base financial system will provide a solid foundation for the Commonwealth to expand system functionality and facilitate better integration of key administrative systems across the state. This foundation will enable the Commonwealth to re-engineer activities to include taking advantage of shared services, increasing functionality for better fiscal management, and reducing redundant agency financial systems and related cost. The Cardinal project will implement the base financial system in two phases. The first phase implemented VDOT's planned functionality on December 5, 2011, and the second phase will implement the Commonwealth's base financial system at the Department of Accounts (DOA) in calendar year 2012. A future phase of the project includes rolling Cardinal out to all other state agencies, at which time CARS and potentially other redundant financial systems could be retired. DOA has representation on the Steering Committee and has assigned full-time resources to this project.

AMERICAN RECOVERY AND REINVESTMENT ACT

In February 2009, the United States Congress and the President passed the American Recovery and Reinvestment Act (ARRA) to help facilitate recovery for the nation's economy. In order to provide reporting transparency and appropriate use of these monies, stringent reporting requirements accompanied these federal funds. In order to help ensure the Commonwealth complied with the ARRA reporting requirements, the Comptroller's staff facilitated collaboration through a variety of communications with fiscal officers throughout the Commonwealth and modified the General Ledger to allow separate reporting for each individual ARRA grant. Further, the Comptroller's staff performed validation reviews of information being reported to the Office of Management and Budget throughout fiscal year 2011.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its CAFR for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. The Commonwealth has received a Certificate of Achievement for the last 25 consecutive years (fiscal years 1986-2010). I believe that this year's report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA.

This report could not have been prepared without the full cooperation of all state agencies within the Executive Branch, the Legislature, the Judiciary, the Component Units, and especially the dedication and professionalism of the financial reporting staff in the Department of Accounts.

Respectfully submitted,

David A. Von Moll
Comptroller of the Commonwealth of Virginia

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

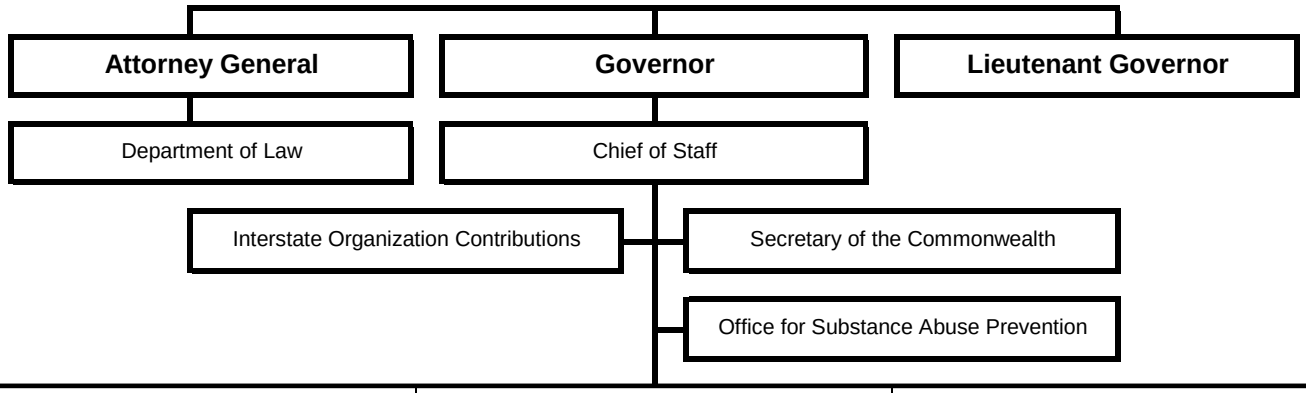
President

Executive Director

Organization Charts

Organization of Executive Branch of Government

As of June 30, 2011



Secretary of Administration
Compensation Board
Commonwealth Competition Council
Department of Employment Dispute Resolution
Department of General Services
Department of Human Resource Management
Department of Minority Business Enterprise
Human Rights Council
State Board of Elections

Secretary of Agriculture and Forestry
Agricultural Council
Department of Agriculture and Consumer Services
Department of Forestry

Secretary of Commerce and Trade
Board of Accountancy
Department of Business Assistance
Department of Housing and Community Development
Department of Labor and Industry
Department of Mines, Minerals and Energy
Department of Professional and Occupational Regulation
Virginia Economic Development Partnership
Virginia Employment Commission
Virginia National Defense Industrial Authority
Virginia Racing Commission
Virginia Tourism Authority

Secretary of Natural Resources
Chippokes Plantation Farm Foundation
Department of Conservation and Recreation
Department of Environmental Quality
Department of Game and Inland Fisheries
Department of Historic Resources
Marine Resources Commission
Virginia Museum of Natural History

Secretary of Veterans Affairs and Homeland Security
Department of Veterans Services

Secretary of Education
Christopher Newport University
Department of Education
Frontier Culture Museum of Virginia
George Mason University
Gunston Hall
Higher Education Tuition Moderation Incentive Fund
Higher Education Research Initiative
Institute for Advanced Learning and Research
James Madison University
Jamestown-Yorktown Foundation
Longwood University
New College Institute
Norfolk State University
Old Dominion University
Radford University
Richard Bland College
Roanoke Higher Education Authority
Southern Virginia Higher Education Center
Southwest Virginia Higher Education Center
State Council of Higher Education for Virginia
The College of William and Mary
The Library of Virginia
The Science Museum of Virginia
University of Mary Washington
University of Virginia
Virginia College Building Authority
Virginia Commission for the Arts
Virginia Commonwealth University
Virginia Community College System
Virginia Institute of Marine Science
Virginia Military Institute
Virginia Museum of Fine Arts
Virginia Polytechnic Institute and State University
Virginia School for the Deaf and the Blind
Virginia State University

Secretary of Finance
Department of Accounts
Department of Planning and Budget
Department of Taxation
Department of the Treasury
Treasury Board

Secretary of Health and Human Resources
Comprehensive Services for At-Risk Youth and Families
Department for the Aging
Department for the Blind and Vision Impaired
Department for the Deaf and Hard-of-Hearing
Department of Behavioral Health and Developmental Services
Department of Health
Department of Health Professions
Department of Medical Assistance Services
Department of Rehabilitative Services
Department of Social Services
Virginia Board for People with Disabilities
Virginia Foundation for Healthy Youth
Virginia Rehabilitation Center for the Blind and Vision Impaired
Woodrow Wilson Rehabilitation Center

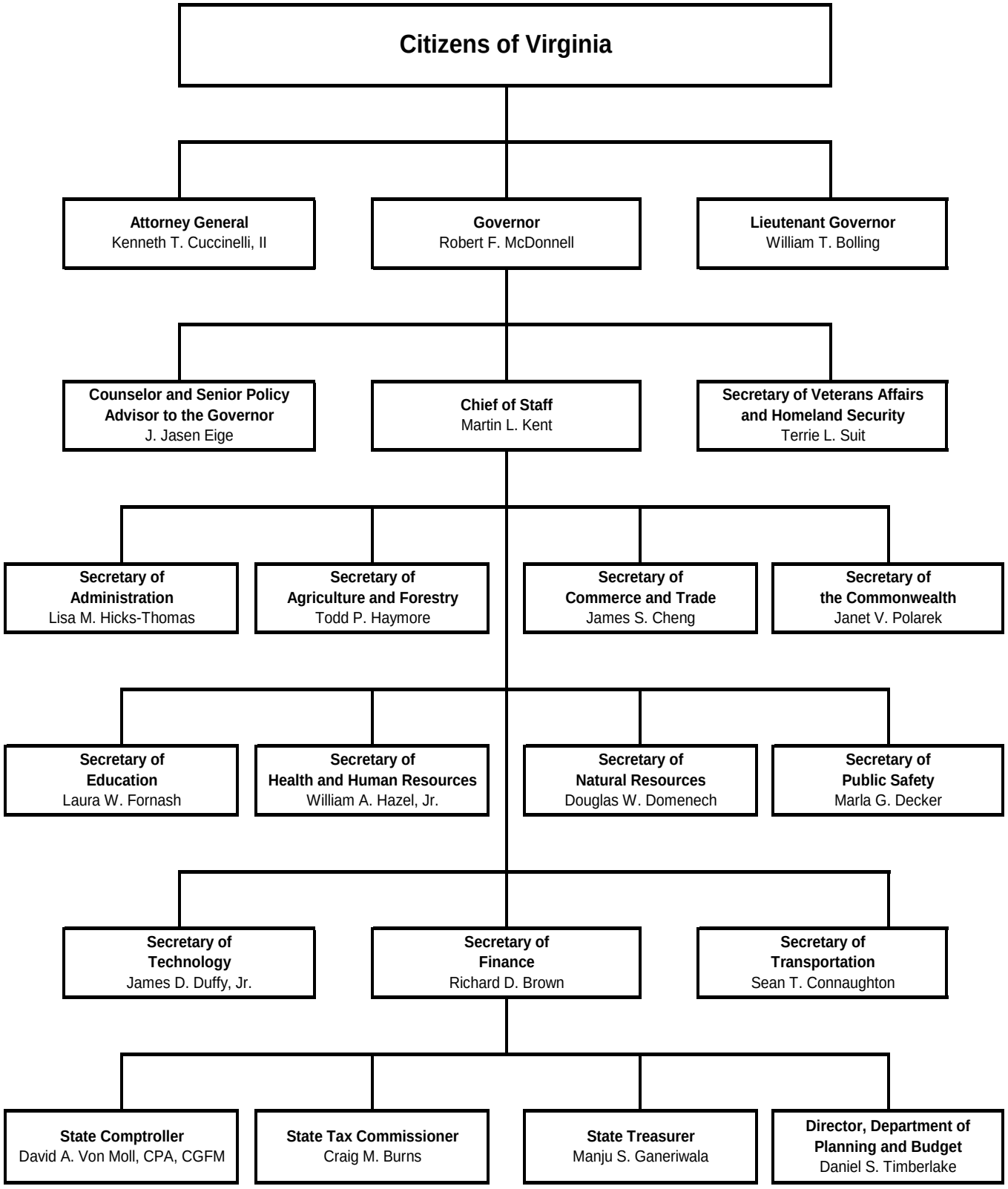
Secretary of Public Safety
Board of Towing and Recovery Operators
Commonwealth's Attorneys' Services Council
Department of Alcoholic Beverage Control
Department of Correctional Education
Department of Corrections
Department of Criminal Justice Services
Department of Emergency Management
Department of Fire Programs
Department of Forensic Science
Department of Juvenile Justice
Department of Military Affairs
Department of State Police
Virginia Correctional Enterprises
Virginia Parole Board

Secretary of Technology
Innovation and Entrepreneurship Investment Authority
Virginia Information Technologies Agency

Secretary of Transportation
Department of Aviation
Department of Motor Vehicles
Department of Rail and Public Transportation
Department of Transportation
Motor Vehicle Dealer Board
Virginia Port Authority

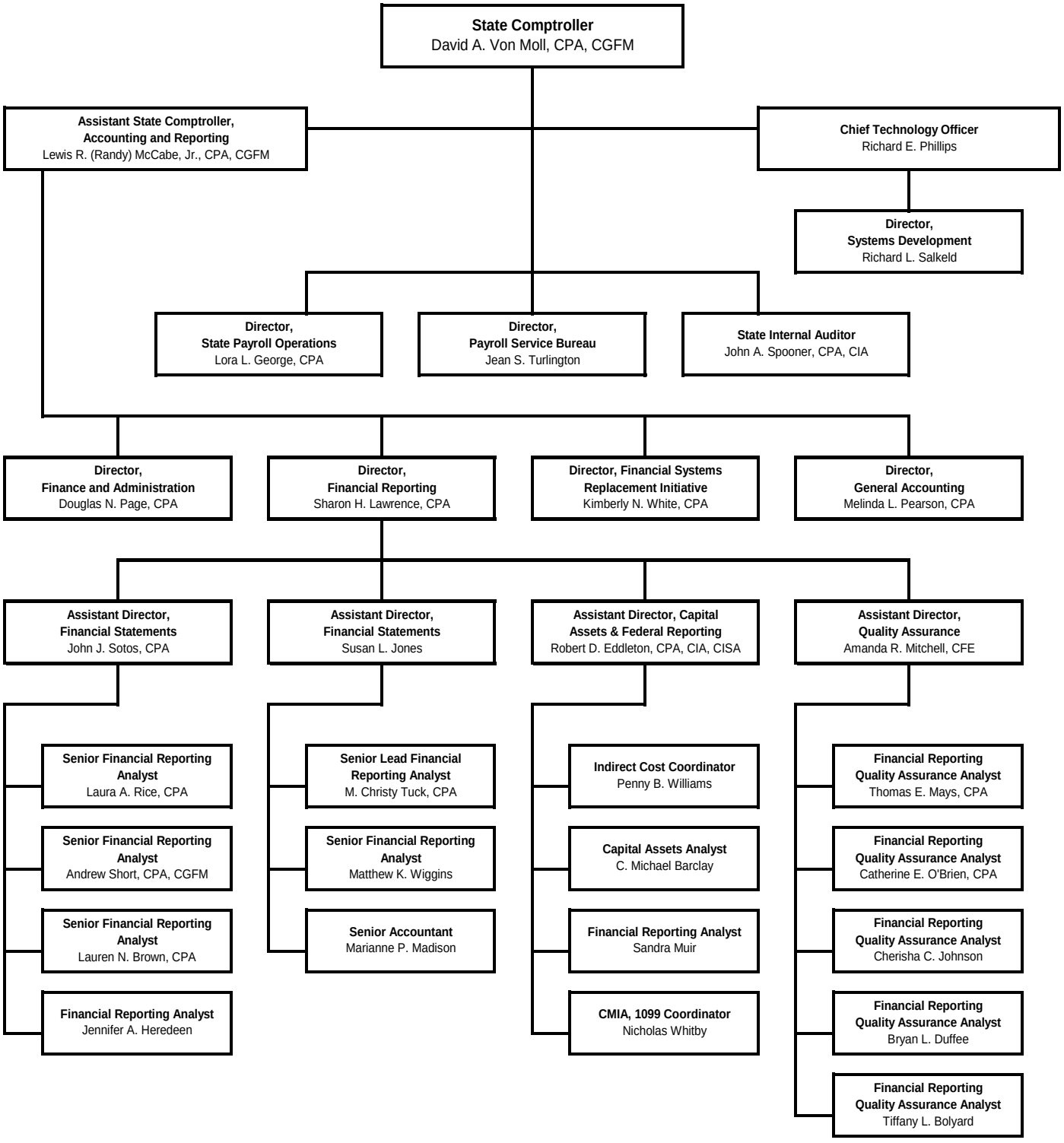
Organization of Government
Selected Government Officials - Executive Branch

As of December 15, 2011



Organization of the Department of Accounts

As of December 15, 2011



FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining and Individual Fund Statements and Schedules

Commonwealth of Virginia

Auditor of Public Accounts

Walter J. Kucharski
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2011

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgin
Chairman, Joint Legislative Audit and Review Commission

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia, as of and for the year ended June 30, 2011, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain components units of the Commonwealth discussed in Note 1.B., which represent 32.25 percent, 20.64 percent, and 8.74 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain component units discussed in Note 1.B. is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hampton Roads Sanitation District Commission, Science Museum of Virginia Foundation, Virginia Museum of Fine Arts Foundation, Danville Science Center, Inc., and Library of Virginia Foundation, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Virginia as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 3 to the financial statements, the Commonwealth of Virginia implemented Governmental Accounting Standards Board Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011.

The management's discussion and analysis, budgetary comparison schedule, funding progress for defined benefit pension plans, schedule of employer contributions for defined benefit pension plans, funding progress for other post-employment benefit plans, schedule of employer contributions for other post-employment benefit plans, and claims development information on pages 27 through 37 and 174 through 188 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with Government Auditing Standards, our report dated December 15, 2011, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters is issued under separate cover in the Commonwealth of Virginia Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

WALTER J. KUCHARSKI
AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis
(Unaudited)

The following is a discussion and analysis of the Commonwealth of Virginia's (the Commonwealth) financial performance, including an overview and analysis of the financial activities of the Commonwealth for the fiscal year ended June 30, 2011. Readers should consider this information in conjunction with the transmittal letter, which is located in the Introductory Section of this report, and the Commonwealth's financial statements, including the notes to the financial statements, which are located after this analysis. During fiscal year 2011, the Commonwealth implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement introduced new terms that are defined in Note 3, "Fund Balance Classifications."

Financial Highlights

Government-wide Highlights

The primary government's assets exceeded its liabilities at June 30, 2011, by $18.0 billion. Net assets of governmental activities increased by $1.1 billion and net assets of business-type activities increased by $237.5 million. Component units reported an increase in net assets of $1.8 billion from June 30, 2010.

Fund Highlights

At the end of the fiscal year, the Commonwealth's governmental funds reported a combined ending fund balance of $3.4 billion, an increase of $812.4 million in comparison with the prior year. Of this total fund balance, $253.0 million represents nonspendable fund balance, $1.1 billion represents restricted fund balance, $3.1 billion represents committed fund balance, and $10.2 million represents assigned fund balance. These amounts are offset by a negative $1.0 billion unassigned fund balance. The Enterprise Funds reported net assets at June 30, 2011, of $121.3 million, an increase of $235.5 million during the year which is primarily attributable to the Virginia College Savings Plan Fund. See page 33 for additional information.

The General Fund recognized higher fund assets, liabilities, and revenues when compared to fiscal year 2010. See page 34 for additional information.

Long-term Debt

The Commonwealth's total debt rose during the fiscal year to $33.7 billion, an increase of $1.9 billion, or 5.9 percent. During the fiscal year, the Commonwealth issued new debt in the amount of $1.0 billion for the primary government and $3.6 billion for the component units. These debt issuances increased the debt balances to $10.5 billion for the primary government and $23.2 billion for component units.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Commonwealth's basic financial statements, which include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The report also contains additional required supplementary information and other information.

Government-wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commonwealth's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Commonwealth's financial position which helps readers determine whether the Commonwealth's financial position has improved or deteriorated during the fiscal year. These statements include all non-fiduciary financial activity on the full accrual basis of accounting. This means that all revenue and expenditures are reflected in the financial statements even if the related cash has not been received or paid as of June 30.

The Statement of Net Assets (pages 40 and 41) presents information on all of the Commonwealth's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may indicate whether the financial position of the Commonwealth is improving or deteriorating.

The Statement of Activities (pages 42 through 44) presents information showing how the Commonwealth's net assets changed during fiscal year 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs,

regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and Statement of Activities report three separate activities. These activities are described as follows:

Governmental Activities – account for functions of the Commonwealth that are primarily supported by taxes and intergovernmental revenues. The majority of the Commonwealth's basic services, such as education, individual and family services, transportation, resources and economic development, administration of justice, and general government, fall within this category.

Business-type Activities – account for functions that are intended to recover all or a significant portion of their costs through user fees and charges. The major business-type activities of the Commonwealth include the State Lottery, Virginia College Savings Plan, and Unemployment Compensation Fund.

Discretely Presented Component Units – account for functions of legally separate entities for which the Commonwealth is financially accountable. The Commonwealth has 27 non-higher education component units and 22 higher education institutions that are reported as discretely presented component units. Information regarding the individual financial statements of the component units is presented in the notes to the financial statements.

This report includes two schedules (pages 48 and 52) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities on the appropriate government-wide statements (full accrual accounting). The following indicates some of the reporting differences between the government-wide financial statements and the fund financial statements.

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Long-term liabilities, unless due and payable, are not included in the fund financial statements. These liabilities are only included in the government-wide statements.
- Internal service funds are reported as governmental activities in the government-wide statements, but are reported as proprietary funds in the fund financial statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in the governmental fund statements, but not deferred in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but are reported as expenditures in the fund financial statements.
- Bond proceeds provide current financial resources on the fund financial statements, but are recorded as long-term liabilities in the government-wide financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the Commonwealth's funds can be divided into three categories: governmental, proprietary, and fiduciary. Each of these categories uses different accounting approaches. Fund financial statements begin on page 46 and provide detailed information about the major individual funds.

- **Governmental funds** – Most of the basic services provided by the Commonwealth are reported in the governmental funds. These statements provide a detailed, short-term view of the functions reported as governmental activities in the government-wide financial statements. The government-wide financial statements are reported using the full accrual basis of accounting, but the governmental fund financial statements are reported using the modified accrual basis of accounting. This allows the reader to focus on assets that can be readily converted to cash and determine whether there are adequate resources to meet the Commonwealth's current needs.

  Because the focus of governmental funds is more limited than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison can help readers better understand the long-term impact of the Commonwealth's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

  The Commonwealth reports 12 individual governmental funds. Information is presented separately in the governmental fund statements for the General, Commonwealth Transportation, Federal Trust, and Literary funds, which are all considered major funds. Data from the other 8 governmental funds are aggregated into a single column on the fund

statements. Individual fund data for these nonmajor governmental funds is provided in the combining financial statements immediately following the required supplementary information.

- **Proprietary funds** – The Commonwealth maintains two different types of proprietary funds, enterprise and internal service. These funds report activities that operate more like those of private-sector business and use the full accrual basis of accounting. Enterprise funds report activities that charge fees for supplies or services to the general public like the State Lottery. Enterprise funds are reported as business-type activities on the government-wide financial statements. The enterprise funds use the full accrual basis of accounting and the only differences between amounts reported on the government-wide statements and the enterprise fund statements are due to internal service fund activity (see reconciliations on pages 54 and 56). Internal service funds report activities that charge fees for supplies and services to other Commonwealth agencies, like Fleet Management. Internal service funds are reported as governmental activities in the government-wide statements because these types of services predominantly benefit governments rather than business-type functions.

  The Commonwealth reports 22 individual proprietary funds. Information is presented separately in the proprietary fund statements for the State Lottery Department, Virginia College Savings Plan, and Unemployment Compensation Funds, all of which are considered major funds. Data from the other enterprise funds are aggregated into a single column on the fund statements. All internal service funds are aggregated into a single column on the fund statements. Individual fund data for all nonmajor proprietary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the government and use the full accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because the resources of these funds are restricted and cannot be used to finance the Commonwealth's operations. The Commonwealth's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 64.

  The Commonwealth's fiduciary funds are the:

  - Private Purpose Trusts, which reports the activities for 7 separate funds and accounts for transactions of trust arrangements in which the principal and income benefit individuals, private organizations, or other governments;
  - Pension and Other Employee Benefit Trusts, which reports the activities of 12 separate pension and other employment retirement plans for employees;
  - Investment Trust, which accounts for the activities of the external investment pool; and,
  - Agency, which accounts for assets held on behalf of others in 20 separate funds.

  Individual fund data for all fiduciary funds is provided in the combining financial statements immediately following the required supplementary information.

- **Component Units** – The government-wide financial statements report information for all component units aggregated in a single column. Information is provided separately in the component unit fund statements for the Virginia Housing Development Authority, Virginia Public School Authority, University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University, all of which are considered major component units. Data from the other component units are aggregated into a single column on the fund statements. Individual fund data for all nonmajor component units is provided in the combining financial statements immediately following the required supplementary information.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at June 30. It also includes information concerning the Commonwealth's funding progress for pension and other postemployment benefits, as well as trend information for Commonwealth-managed risk pools.

Other Information

The combining statements referred to earlier in connection with nonmajor funds and component units can be found beginning on page 189 of this report. The individual fund information is aggregated into a single total on the combining financial statements, which carries forward to the fund financial statements.

Government-wide Financial Analysis

The primary government's assets exceeded its liabilities by $18.0 billion during the fiscal year. The net assets of the governmental activities increased $1.1 billion or 6.5 percent, primarily due to increases in capital assets offset by increases in long-term liabilities as discussed further on pages 35 and 36. Business-type activities had an increase of $237.5 million or 204.0 percent, primarily due to an increase for the Virginia College Savings Plan Fund. The government-wide beginning balance was restated for the correction of prior year errors to arrive at a restated beginning balance of $16.7 billion.

Figure 11
Net Assets as of June 30, 2011 and 2010
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010 as restated	2011	2010 as restated	2011	2010 as restated
Current and other assets	$ 8,809,085	$ 8,232,379	$ 3,149,480	$ 2,979,717	$ 11,958,565	$ 11,212,096
Capital assets	22,418,712	21,231,210	36,256	32,874	22,454,968	21,264,084
Total assets	31,227,797	29,463,589	3,185,736	3,012,591	34,413,533	32,476,180
Long-term liabilities outstanding	8,059,198	7,248,690	2,484,784	2,389,594	10,543,982	9,638,284
Other liabilities	5,273,348	5,419,077	579,825	739,412	5,853,173	6,158,489
Total liabilities	13,332,546	12,667,767	3,064,609	3,129,006	16,397,155	15,796,773
Net assets:						
Invested in capital assets, net of related debt	18,319,589	17,528,248	35,338	31,279	18,354,927	17,559,527
Restricted	1,171,700	1,201,609	15,730	15,730	1,187,430	1,217,339
Unrestricted	(1,596,038)	(1,934,035)	70,059	(163,424)	(1,525,979)	(2,097,459)
Total net assets	$ 17,895,251	$ 16,795,822	$ 121,127	$ (116,415)	$ 18,016,378	$ 16,679,407

The largest portion of the primary government's net assets reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements and software), less any related outstanding debt used to acquire those assets. These assets are recorded net of depreciation in the financial statements. The primary government uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the primary government's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (**Figure 11**). The investment in capital assets amount exceeds total net assets due to a negative unrestricted net asset amount unrelated to capital assets.

An additional portion of the primary government's net assets represents restricted net assets. These resources are subject to external restrictions or constitutional provisions specifying how they may be used. The remaining balance of ($1.5 billion) is unrestricted net assets (**Figure 11**).

Approximately 50.3 percent of the primary government's total revenue came from taxes. While the primary government's expenses cover many services, the largest expenses are for education and individual and family services. General revenues normally fund governmental activities. For fiscal year 2011, governmental program and general revenues exceeded governmental expenses by $484.8 million. Program revenues exceeded expenses from business-type activities by $841.7 million. The following condensed financial information (**Figure 12**) was derived from the Government-wide Statement of Activities and provides detail regarding the change in net assets (see page 42).

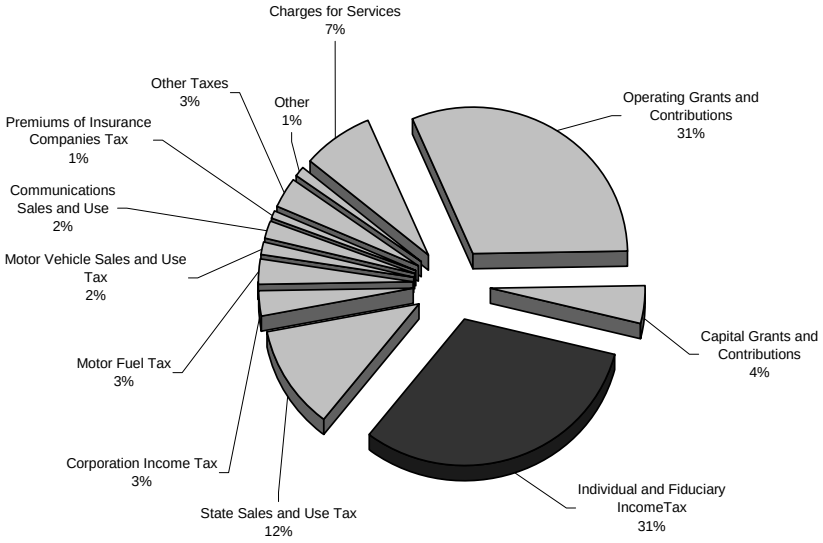
Figure 12
Changes in Net Assets for the Fiscal Years Ended June 30, 2011 and 2010
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2011	2010 as restated	2011	2010 as restated	2011	2010 as restated
Revenues:						
Program Revenues:						
Charges for Services	$ 2,352,638	$ 2,264,136	$ 3,601,117	$ 3,280,725	$ 5,953,755	$ 5,544,861
Operating Grants and Contributions	9,950,314	9,951,302	575	4,237	9,950,889	9,955,539
Capital Grants and Contributions	1,324,192	1,603,355	-	-	1,324,192	1,603,355
General Revenues:						
Taxes:						
Individual and Fiduciary Income	10,050,404	8,778,749	-	-	10,050,404	8,778,749
State Sales and Use	3,668,792	3,568,878	-	-	3,668,792	3,568,878
Corporation Income	851,630	845,989	-	-	851,630	845,989
Motor Fuel	903,108	890,872	-	-	903,108	890,872
Motor Vehicle Sales and Use	495,437	439,889	-	-	495,437	439,889
Communications Sales and Use	556,897	455,609	-	-	556,897	455,609
Deeds, Contracts, Wills, and Suits	335,526	325,920	-	-	335,526	325,920
Premiums of Insurance Companies	406,113	414,165	-	-	406,113	414,165
Alcoholic Beverage Sales	114,202	111,293	-	-	114,202	111,293
Tobacco Products	175,365	177,483	-	-	175,365	177,483
Estate	1,787	6,198	-	-	1,787	6,198
Public Service Corporations	113,260	111,693	-	-	113,260	111,693
Beer and Beverage Excise	43,873	44,432	-	-	43,873	44,432
Wine and Spirits/ABC Liter	22,924	20,842	-	-	22,924	20,842
Bank Stock	24,580	24,341	-	-	24,580	24,341
Other Taxes	76,592	66,558	9,141	9,886	85,733	76,444
Unrestricted Grants and Contributions	48,314	49,187	-	-	48,314	49,187
Investment Earnings	63,040	204,786	1,062	1,786	64,102	206,572
Miscellaneous	285,486	427,422	253	285	285,739	427,707
Total Revenues	31,864,474	30,783,099	3,612,148	3,296,919	35,476,622	34,080,018
Expenses:						
General Government	2,916,432	2,826,988	-	-	2,916,432	2,826,988
Education	9,085,044	9,312,354	-	-	9,085,044	9,312,354
Transportation	2,839,283	2,311,549	-	-	2,839,283	2,311,549
Resources and Economic Development	1,006,319	1,014,227	-	-	1,006,319	1,014,227
Individual and Family Services	12,663,434	12,282,681	-	-	12,663,434	12,282,681
Administration of Justice	2,640,963	2,739,014	-	-	2,640,963	2,739,014
Interest and Charges on Long-term Debt	228,207	205,965	-	-	228,207	205,965
State Lottery	-	-	1,030,374	998,421	1,030,374	998,421
Virginia College Savings Plan	-	-	243,271	293,569	243,271	293,569
Unemployment Insurance	-	-	661,739	922,952	661,739	922,952
Alcoholic Beverage Control	-	-	479,393	469,306	479,393	469,306
Risk Management	-	-	8,360	7,123	8,360	7,123
Local Choice Health Care	-	-	229,545	231,338	229,545	231,338
Virginia Industries for the Blind	-	-	28,148	27,605	28,148	27,605
Consolidated Laboratory	-	-	6,642	6,009	6,642	6,009
eVA Procurement System	-	-	17,199	18,476	17,199	18,476
Department of Environmental Quality Title V	-	-	10,173	10,168	10,173	10,168
Wireless E-911	-	-	38,415	43,523	38,415	43,523
Museum and Library Gift Shops	-	-	6,697	2,054	6,697	2,054
Behavioral Health Canteen and Work Activity	-	-	13	853	13	853
Total Expenses	31,379,682	30,692,778	2,759,969	3,031,397	34,139,651	33,724,175
Excess (Deficiency) before transfers	484,792	90,321	852,179	265,522	1,336,971	355,843
Transfers	614,637	597,446	(614,637)	(597,446)	-	-
Increase (Decrease) in net assets	1,099,429	687,767	237,542	(331,924)	1,336,971	355,843
Net assets (deficit), July 1, as restated	16,795,822	16,108,055	(116,415)	215,509	16,679,407	16,323,564
Net assets (deficit), June 30	$ 17,895,251	$ 16,795,822	$ 121,127	$ (116,415)	$ 18,016,378	$ 16,679,407

Governmental Activities Revenues

Figure 13 is a graphical representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.1 billion, or 3.5 percent. The net increase is mainly attributable to overall increases in revenue, primarily due to increases in the General Fund, offset by decreases in the Federal Trust Fund, which are discussed on page 35.

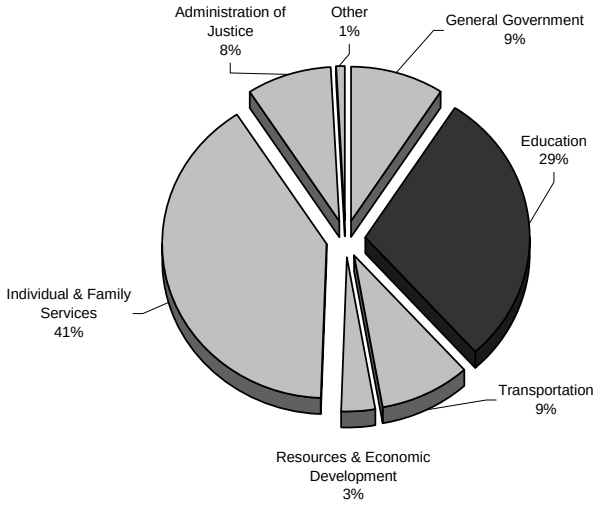
Figure 13
Revenues by Source – Governmental Activities
Fiscal Year 2011



Governmental Activities Expenses

Figure 14 is a graphical representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses increased by $686.9 million or 2.2 percent. This change is primarily attributable to increases in Transportation and Individual and Family Services, offset by decreases in Education. See pages 34 and 35 for additional information.

Figure 14
Expenses by Type – Governmental Activities
Fiscal Year 2011



Net Assets of Business-type Activities

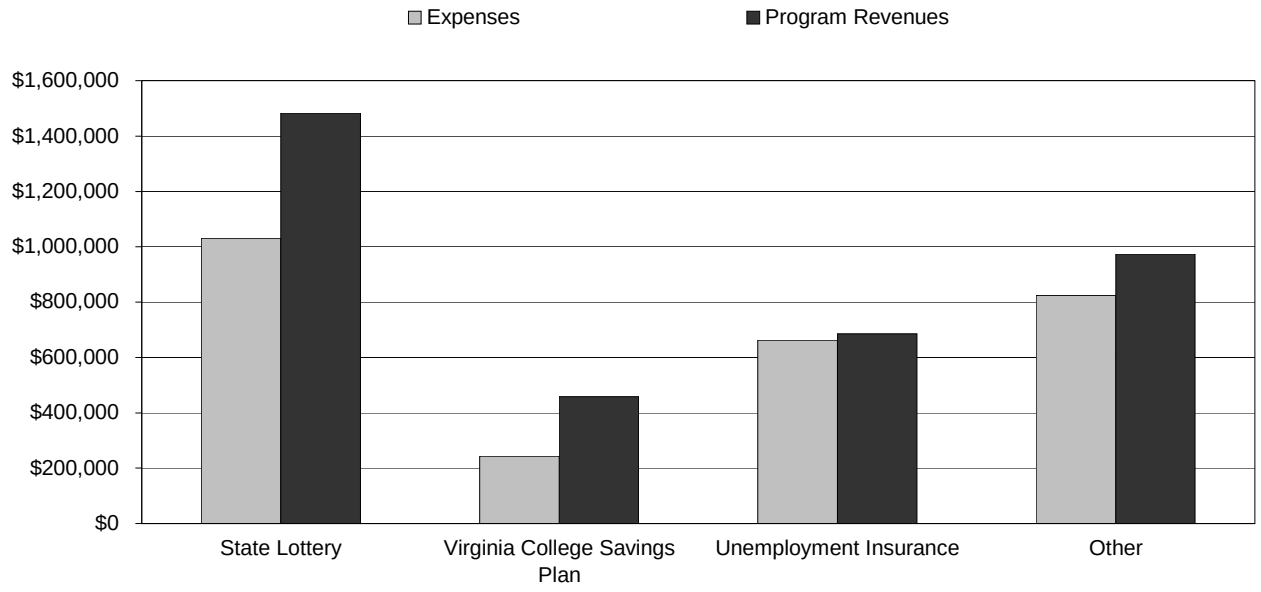
Net assets of business-type activities increased by $237.5 million during the fiscal year. Highlights of the changes in net assets for the major enterprise funds were as follows:

- Lottery sales were $1.5 billion, an increase of $47.6 million over the prior year. Net income was $453.9 million, an increase of $14.7 million (3.4 percent) from fiscal year 2010. Sales of scratch games increased by $45.7 million (6.4 percent) and online sales increased by $1.9 million (0.3 percent). This is offset by an increase of $32.1 million (3.2 percent) in total expenses, primarily attributable to the cost of prizes and claims.

- Virginia College Savings Plan's net assets increased by $214.9 million (103.5 percent). This increase in financial position is primarily attributable to continued investment performance as a result of the ongoing recovery of capital markets in the fiscal year, increased sales of prepaid education contracts, and a decrease in tuition benefit plan expenses.

- Unemployment Compensation Fund net assets increased by $12.7 million during fiscal year 2011 primarily as a result of an increase in the Employer Contribution rate for the Virginia Unemployment Trust Fund. The Trust Fund became insolvent in October 2009, which required obtaining Federal repayable advances under Title XII of the Social Security Act totaling $540.5 million during fiscal years 2010 and 2011. The advances enabled the Fund to continue payments of benefits to claimants and accommodate an increase in unemployment claims payments. The outstanding balance of the advances is $182.2 million at June 30, 2011. The Trust Fund has approval for a maximum of $290.0 million in advances through February 2012. It received $105.8 million in additional advances through October 2011. Additionally, the unemployment rate declined from June 2010 at 7.0 percent to June 2011 at 6.5 percent. The average weekly benefit amounts decreased from $275.22 to $271.75 in fiscal year 2011. The average benefit duration decreased from 16.7 weeks to 14.8 weeks during the fiscal year. These multiple influences led to total decreased benefit payments of $261.2 million over the prior year.

Figure 15
Business-type Activities
Program Revenues and Expenses
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)



Fund Statements Financial Analysis

As of the end of the fiscal year, the primary government's governmental funds reported combined ending fund balances of $3.4 billion, including a negative unassigned fund balance of $1.0 billion indicating that restricted and committed amounts exceed the available modified accrual basis fund balance. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending.

General Fund Highlights

At the end of the fiscal year, the General Fund reported a combined ending fund balance of negative $58.8 million, an increase of $516.0 million in comparison with the prior year (as restated). Of this total fund balance, $113.0 million represents nonspendable fund balance, $464.5 million represents restricted fund balance, and $409.6 million represents committed fund balance. These amounts are offset by a negative $1.0 billion unassigned fund balance. Additionally, the Commonwealth implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which incorporated several funds previously reported as Special Revenue Funds into the General Fund. Accordingly, the General Fund beginning balance has been restated and increased by $99.5 million.

Fiscal year 2011 General Fund revenues were 10.7 percent or $1.6 billion higher than fiscal year 2010 revenues. This revenue change results from increases of $1.7 billion primarily attributable to individual and fiduciary income taxes ($1.3 billion) and communication sales and use tax ($103.1 million) offset by decreases of $138.9 million primarily attributable to interest earnings ($122.6 million).

Fiscal year 2011 expenditures increased by $698.8 million as compared to fiscal year 2010. This was primarily attributable to increases in individual and family services expenditures, administration of justice expenditures, and general government expenditures of $489.9 million, $149.8 million, and $138.7 million, respectively. Net other financing sources and uses increased by $46.8 million which is primarily due to lower transfers out to nongeneral funds.

Budget Highlights

The General Fund began the year with an original revenue budget that was $663.3 million or 4.4 percent higher than the final fiscal year 2010 revenue budget. Additionally, the final revenue budget was slightly higher ($83.6 million or 0.53 percent) than the original budget. The change between the original and final budget was primarily attributable to increases in the final budget for individual and fiduciary income taxes of $158.5 million offset by a decrease in the final budget for deeds, contracts, wills, and suits taxes of $40.0 million and interest, dividends, and rents of $39.5 million. Total actual General Fund revenues were greater than final budgeted revenues by $419.4 million.

Total final budget expenditures were more than original budget expenditures by $244.7 million or 1.5 percent. This increase was primarily attributable to general government expenditures of $83.7 million, administration of justice expenditures of $60.7 million, individual and family services expenditures of $33.9 million and resources and economic development expenditures $51.2 million.

The Commonwealth spent less than planned so actual expenditures were $499.0 million or 3.0 percent lower than final budget expenditures. The actual General Fund expenditures were less than budgeted in all categories.

Budget Outlook

In order to mitigate the effects of recent economic conditions, the Commonwealth adopted numerous budget solutions, such as, accelerated sales taxes, temporary pension funding strategy modifications (discussed further on the next page), and the continued receipt of additional federal funding during fiscal year 2011. In spite of the economic challenges that the Commonwealth has faced in recent years, there is planned growth in the adopted budget for the 2010-2012 biennium (fiscal years 2011 and 2012). Additionally, based on the most recent General Fund revenue estimate, the fiscal year 2012 revenue is projected to increase 3.7 percent over the fiscal year 2011 revenue collections. The Governor will release his final amendments to the 2010-2012 biennial budget on December 19, 2011.

Pension Funding

As part of the process of adopting the 2010-2012 biennial budget, the Commonwealth adopted modifications to the funding strategy for the Virginia Retirement System (VRS). Employer contributions attributable to the last five pay periods in fiscal year 2011 were deferred until fiscal year 2012.

Effective for fiscal year 2011 and fiscal year 2012, the Commonwealth has approved a VRS contribution rate that is lower than the certified rate. VRS will receive contributions computed using the lower rate from all participating funds. In certain instances, the General Fund will receive the monetary differential between the certified and approved contribution rates. Additionally, a new pension plan was established since the Commonwealth modified the benefit criteria for employees hired on or after July 1, 2010. Additional information on the new plan and the impact of funding rates on the Commonwealth's liability can be found in Note 14, "Retirement and Pension Systems." Further, effective July 1, 2011, all employees are responsible for paying the employee's 5.0 percent retirement contribution. For those employees hired on or before June 30, 2010, the Commonwealth provided a one-time 5.0 percent salary increase to offset the impact of the pension funding change.

Major Special Revenue Fund Highlights

The Commonwealth Transportation Fund ended the fiscal year with a fund balance of $2.4 billion, an increase of $425.5 million from the prior year. Approximately $2.7 billion is contractually committed for various highway, public transportation, and rail preservation projects (see Note 19). The increase in fund balance was primarily due to the issuance of capital projects revenue bonds in the amount of $600.0 million. Additionally, revenues and expenditures increased $231.3 million, or 6.4 percent and $462.0 million, or 13.5 percent, respectively. This increased activity is primarily due to increased federal funds available for construction and increases in expenditures for highway maintenance, acquisition and construction.

The Federal Trust Fund balance decreased by $14.9 million, or 35.1 percent. A decrease in Federal Grants and Contracts revenue of approximately $44.2 million, or 0.5 percent, was offset by a decrease in total expenditures of approximately $13.3 million, or 0.1 percent. Although there was a slight decrease overall in Federal Grants and Contracts revenue, there continued to be increases in some funding used to supplement individual and family services payments due to the economic downturn and included increases of $339.5 million for Medicaid funding, $135.2 million in food stamps, and $358.2 million for unemployment insurance. A total of $1.58 billion in American Recovery and Reinvestment Act revenue was received, representing a $665.2 million decrease from the previous fiscal year.

The Literary Fund's fund balance decreased by $31.8 million, or 21.0 percent, in fiscal year 2011 from fiscal year 2010. The decrease is the result of net disbursements exceeding net receipts by $42.7 million, offset by a cash transfer in of $10.9 million from the State Lottery representing unclaimed prizes.

Capital Asset and Long-term Debt

Capital Assets. The primary government's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to $22.5 billion (net of accumulated depreciation totaling $12.8 billion). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, construction-in-progress, and intangible assets including water rights, easements, and software. Infrastructure assets are items that are normally immovable such as roads, bridges, drainage systems, and other similar assets. As noted on page 30, increases in current and other assets coupled with increases in capital assets resulted in an increase in net assets of the governmental activities of $1.1 billion or 6.5 percent. The increase in the primary government's investment in capital assets was primarily attributable to increases in infrastructure and construction-in-progress of $707.6 million and $243.8 million, respectively. These increases are primarily attributable to transportation. The primary government reports equipment with a value of $50,000 or greater and an expected useful life of two or more years. The primary government capitalizes all land, buildings, infrastructure, and intangible assets that have a cost or value greater than $100,000 and an expected useful life of two or more years. Additional information on the primary government's capital assets can be found in Note 12, "Capital Assets."

Figure 16
Capital Assets as of June 30, 2011
(Net of Depreciation)
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total
Land	$ 2,528,257	$ 1,977	$ 2,530,234
Buildings	2,120,746	8,046	2,128,792
Equipment	380,735	20,007	400,742
Water Rights/Easements	27,228	-	27,228
Infrastructure	13,781,972	-	13,781,972
Software	182,039	1,668	183,707
Construction-in-Progress	3,397,735	4,558	3,402,293
Total	$ 22,418,712	$ 36,256	$ 22,454,968

Long-term Debt. The Commonwealth is prohibited from issuing general obligation bonds for operating purposes. At the end of the current fiscal year, the Commonwealth had total debt outstanding of $33.7 billion, including total tax-supported debt of $12.1 billion and total debt not supported by taxes of $21.6 billion. Bonds backed by the full faith and credit of the government and tax-supported total $1.7 billion. Debt is considered tax-supported if Commonwealth tax revenues are used or pledged for debt service payments. An additional $684.0 million is considered moral obligation debt which is not tax-supported. The Commonwealth has no direct or indirect pledge of tax revenues to fund reserve deficiencies. However, in some cases, the Commonwealth has made a moral obligation pledge to consider funding deficiencies in debt service reserves that may occur. The remainder of the Commonwealth's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

During fiscal year 2011, the Commonwealth issued $4.6 billion of new debt for various projects. $1.0 billion of the new debt was for the primary government and $3.6 billion for the component units. Additional information on the Commonwealth's outstanding debt can be found on page 143 in Note 25, "Long-Term Liabilities," as well as in the section entitled "Debt Schedules." The Commonwealth maintains a "triple A" bond rating for general obligation debt from the three rating agencies: Moody's Investors Service; Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc.; and Fitch, Inc. Additional information about the Commonwealth's credit rating can be found in Note 37, "Subsequent Events."

State statutes limit the amount of general obligation debt the Commonwealth may issue for each specific type of debt. The 9(a) bonds, which may be issued to fund the defense of the Commonwealth; to meet casual deficits in revenue or in anticipation of the collection of revenues; or to redeem previous debt obligations, and are limited to 30 percent of 1.15 times the annual tax revenues for fiscal year 2011. The 9(b) bonds, which have been authorized by the citizens of Virginia through bond referenda to finance capital projects, are limited to 1.15 times the average of selected tax revenues for fiscal years 2009, 2010, and 2011. The 9(c) bonds, which have been issued to finance capital projects that will generate revenue upon their completion, are limited to 1.15 times the average of selected tax revenues for fiscal years 2009, 2010, and 2011. The current debt limitation for the Commonwealth is $4.8 billion, $14.6 billion, and $14.7 billion, respectively, for the 9(a), 9(b), and 9(c) general obligation bond issues. These limits significantly exceed the Commonwealth's outstanding general obligation debt. Currently, there is no 9(a) debt outstanding.

Figure 17
Outstanding Debt as of June 30, 2011
General Obligation Bonds
(Dollars in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General obligation bonds				
9(b)	$ 914,574	$ -	$ 914,574	$ -
9(c)	45,800	-	45,800	765,280
Total	$ 960,374	$ -	$ 960,374	$ 765,280

Economic Factors and Review

In fiscal year 2011, the nation began a slow recovery from what many have called “the Great Recession” which began in December 2007. Recent economic indicators show that the upward trend has been better in the Commonwealth than at the national level. During the fiscal year, the Commonwealth’s nonfarm employment growth rate improved slightly. The Commonwealth’s personal income in current dollars also increased dramatically by 5.0 percent during the fiscal year. Unemployment in the Commonwealth and at the national level dropped during the fiscal year following three years of high unemployment rates. After two years of sharp decline, total taxable sales improved slightly by 2.5 percent over fiscal year 2010. The Commonwealth’s housing market experienced a small, positive percentage change (2.5 percent) in fiscal year 2011 for the first time since the recession. For the nation as a whole, however, the decline in the housing market is still ongoing. Following a small recovery in 2010, fiscal year 2011 saw housing prices drop again. During the fiscal year, housing prices fell by 4.0 percent in the Commonwealth and 4.7 percent nationally. Overall, the Commonwealth has performed better than the nation in many areas of growth. The economic indicators during the next fiscal year need to continue to rise in order to confirm these signs of economic recovery. For a more in-depth discussion on the Commonwealth’s economy see “Economic Review” beginning on page 8. In August 2011, Moody’s revised the Commonwealth’s credit outlook to negative due to the Commonwealth’s reliance on federal employment and procurement and the uncertainties surrounding the federal budget. See Note 37, “Subsequent Events” for additional information.

Requests for Information

This financial report is designed to provide a general overview of the Commonwealth’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State Comptroller’s Office, Commonwealth of Virginia, P. O. Box 1971, Richmond, Virginia 23218. This report is also available for download from the World Wide Web. Our Internet address is www.doa.virginia.gov.

The Commonwealth’s component units issue their own separate financial statements. Contact information regarding each component unit is provided in Note 1.B.

Government-wide Financial Statements

Statement of Net Assets

June 30, 2011
(Dollars in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 3,697,244	$ 526,667	$ 4,223,911	$ 2,017,768
Investments (Notes 1 and 6)	1,625,857	2,135,461	3,761,318	10,394,402
Receivables, Net (Notes 1 and 7)	2,462,386	485,214	2,947,600	12,495,333
Contributions Receivable, Net (Notes 1 and 8)	-	-	-	321,064
Internal Balances (Note 1)	52,393	(52,393)	-	-
Due from Primary Government (Note 9)	-	-	-	25,521
Due from Component Units (Note 9)	18,009	-	18,009	120,596
Due from External Parties (Fiduciary Funds) (Note 9)	1,232	-	1,232	-
Inventory (Note 1)	144,793	51,815	196,608	85,259
Prepaid Items (Note 1)	97,767	2,546	100,313	105,047
Other Assets (Notes 1 and 10)	7,116	170	7,286	190,660
Loans Receivable from Primary Government (Notes 1 and 9)	-	-	-	164,790
Loans Receivable from Component Units (Notes 1 and 9)	34,350	-	34,350	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	600,383	-	600,383	2,739,798
Restricted Investments (Notes 6 and 11)	67,555	-	67,555	3,943,855
Other Restricted Assets (Note 11)	-	-	-	253,620
Nondepreciable Capital Assets (Notes 1 and 12)	5,953,220	6,535	5,959,755	2,592,961
Depreciable Capital Assets, Net (Notes 1 and 12)	16,465,492	29,721	16,495,213	11,365,378
Total Assets	31,227,797	3,185,736	34,413,533	46,816,052
Deferred Outflows (Note 13)	-	-	-	50,719
Total Assets and Deferred Outflows	31,227,797	3,185,736	34,413,533	46,866,771
Liabilities				
Accounts Payable (Notes 1 and 23)	806,123	36,187	842,310	868,333
Amounts Due to Other Governments	742,846	13,223	756,069	77,290
Due to Primary Government (Note 9)	-	-	-	18,009
Due to Component Units (Note 9)	25,521	-	25,521	120,596
Due to External Parties (Fiduciary Funds) (Note 9)	52,947	1,413	54,360	26,440
Unearned Revenue (Note 1)	172,851	5,125	177,976	331,714
Obligations Under Securities Lending Program (Notes 1 and 6)	1,016,130	223,655	1,239,785	37,579
Other Liabilities (Notes 1, 13, and 24)	1,722,472	263,011	1,985,483	1,234,399
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-	34,350
Loans Payable to Component Units (Notes 1 and 9)	164,790	-	164,790	-
Claims Payable (Notes 1 and 22):				
Due Within One Year	157,668	24,586	182,254	55,276
Due in More Than One Year	412,000	12,625	424,625	35,710
Long-term Liabilities (Notes 1, 20, 21, and 25):				
Due Within One Year	620,912	224,938	845,850	1,865,116
Due in More Than One Year	7,438,286	2,259,846	9,698,132	21,304,204
Total Liabilities	13,332,546	3,064,609	16,397,155	26,009,016

The accompanying notes are an integral part of this financial statement.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in Capital Assets, Net of Related Debt	18,319,589	35,338	18,354,927	8,184,970
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	2,473,999
Permanent Funds	28,763	-	28,763	-
Other	-	-	-	94,144
Expendable:				
Agriculture and Forestry	1,009	-	1,009	-
Bond Indenture	-	-	-	2,154,044
Capital Projects/Construction/Capital Acquisition	145,565	-	145,565	1,613,626
Debt Service	67,825	-	67,825	83,840
Economic and Technological Development	1,076	-	1,076	-
Educational and Training Programs	6,818	-	6,818	-
Environmental Quality and Natural Resource Preservation	10,604	-	10,604	-
Gifts and Grants	140,795	-	140,795	79,012
Health and Public Safety	127,026	-	127,026	-
Higher Education	-	-	-	4,309,448
Literary Fund	136,407	-	136,407	-
Lottery Proceeds Fund	19,144	-	19,144	-
Permanent Funds	1,437	-	1,437	-
Revenue Stabilization Fund	432,049	-	432,049	-
Transportation Activities	39,638	-	39,638	-
Unemployment Compensation Trust Fund	-	15,730	15,730	-
Virginia Pooled Investment Program	-	-	-	7,372
Virginia Water Supply Assistance Grant Fund	13,343	-	13,343	-
Other	201	-	201	4,954
Unrestricted	(1,596,038)	70,059	(1,525,979)	1,852,346
Total Net Assets	$ 17,895,251	$ 121,127	$ 18,016,378	$ 20,857,755

Statement of Activities

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	$ 2,916,432	$ 253,781	$ 148,626	$ 14,909
Education	9,085,044	388,179	1,367,395	4,229
Transportation	2,839,283	649,803	47,162	1,296,631
Resources and Economic Development	1,006,319	308,776	298,750	7,688
Individual and Family Services	12,663,434	430,349	8,045,507	735
Administration of Justice	2,640,963	321,750	42,874	-
Interest and Charges on Long-term Debt	228,207	-	-	-
Total Governmental Activities	31,379,682	2,352,638	9,950,314	1,324,192
Business-type Activities				
State Lottery	1,030,374	1,483,037	-	-
Virginia College Savings Plan	243,271	458,916	-	-
Unemployment Compensation	661,739	685,712	-	-
Alcoholic Beverage Control	479,393	598,161	575	-
Risk Management	8,360	4,131	-	-
Local Choice Health Care	229,545	246,731	-	-
Virginia Industries for the Blind	28,148	28,567	-	-
Consolidated Laboratory	6,642	8,363	-	-
eVA Procurement System	17,199	18,674	-	-
Department of Environmental Quality Title V	10,173	7,634	-	-
Wireless E-911	38,415	52,954	-	-
Museum and Library Gift Shops	6,697	7,759	-	-
Behavioral Health Canteen and Work Activity	13	478	-	-
Total Business-type Activities	2,759,969	3,601,117	575	-
Total Primary Government	$ 34,139,651	$ 5,953,755	$ 9,950,889	$ 1,324,192
Component Units				
Virginia Housing Development Authority	$ 681,322	$ 531,748	$ 230,602	$ -
Virginia Public School Authority	151,991	148,781	5,219	-
Higher Education:				
Major	6,460,382	4,644,832	1,707,533	137,284
Nonmajor	4,634,259	1,972,390	1,094,689	376,845
Other Nonmajor	975,759	620,203	87,310	136,882
Total Component Units	$ 12,903,713	$ 7,917,954	$ 3,125,353	$ 651,011

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (2,499,116)	$ -	$ (2,499,116)	$ -
(7,325,241)	-	(7,325,241)	-
(845,687)	-	(845,687)	-
(391,105)	-	(391,105)	-
(4,186,843)	-	(4,186,843)	-
(2,276,339)	-	(2,276,339)	-
(228,207)	-	(228,207)	-
(17,752,538)	-	(17,752,538)	-
-	452,663	452,663	-
-	215,645	215,645	-
-	23,973	23,973	-
-	119,343	119,343	-
-	(4,229)	(4,229)	-
-	17,186	17,186	-
-	419	419	-
-	1,721	1,721	-
-	1,475	1,475	-
-	(2,539)	(2,539)	-
-	14,539	14,539	-
-	1,062	1,062	-
-	465	465	-
-	841,723	841,723	-
(17,752,538)	841,723	(16,910,815)	-
-	-	-	81,028
-	-	-	2,009
-	-	-	29,267
-	-	-	(1,190,335)
-	-	-	(131,364)
-	-	-	(1,209,395)

Continued on next page

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General Revenues				
Taxes				
Individual and Fiduciary Income	10,050,404	-	10,050,404	-
Sales and Use	3,668,792	-	3,668,792	-
Corporation Income	851,630	-	851,630	-
Motor Fuel	903,108	-	903,108	-
Motor Vehicle Sales and Use	495,437	-	495,437	-
Communications Sales and Use	556,897	-	556,897	-
Deeds, Contracts, Wills, and Suits	335,526	-	335,526	-
Premiums of Insurance Companies	406,113	-	406,113	-
Alcoholic Beverage Sales	114,202	-	114,202	-
Tobacco Products	175,365	-	175,365	-
Estate	1,787	-	1,787	-
Public Service Corporations	113,260	-	113,260	-
Beer and Beverage Excise	43,873	-	43,873	-
Wine and Spirits/ABC Liter	22,924	-	22,924	-
Bank Stock	24,580	-	24,580	-
Other Taxes	76,592	9,141	85,733	-
Operating Appropriations from Primary Government	-	-	-	1,797,731
Unrestricted Grants and Contributions	48,314	-	48,314	56,515
Investment Earnings	63,040	1,062	64,102	890,059
Miscellaneous	285,486	253	285,739	128,602
Tobacco Master Settlement	-	-	-	9,372
Transfers	614,637	(614,637)	-	-
Contributions to Permanent and Term Endowments	-	-	-	139,012
Total General Revenues and Transfers	18,851,967	(604,181)	18,247,786	3,021,291
Change in Net Assets	1,099,429	237,542	1,336,971	1,811,896
Net Assets, July 1, as restated (Note 2)	16,795,822	(116,415)	16,679,407	19,045,859
Net Assets, June 30	$ 17,895,251	$ 121,127	$ 18,016,378	$ 20,857,755

The accompanying notes are an integral part of this financial statement.

Governmental Funds

General Fund

The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted or committed to finance particular functions and activities of the Commonwealth.

The Commonwealth Transportation Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the federal government.

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. The entire fund is restricted pursuant to federal regulations.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects, and Permanent Funds listed on page 191 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2011
(Dollars in Thousands)

	General	Special Revenue		
		Commonwealth Transportation	Federal Trust	Literary
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 459,062	$ 2,195,630	$ 106,789	$ 22,244
Investments (Notes 1 and 6)	1,481,381	86,167	1,942	2,016
Receivables, Net (Notes 1 and 7)	1,108,458	311,810	670,447	285,555
Due from Other Funds (Note 9)	22,561	25,954	2,431	-
Due from Component Units (Note 9)	5,212	-	-	-
Due from External Parties (Fiduciary Funds) (Note 9)	87	-	-	-
Interfund Receivable (Note 9)	-	-	-	-
Inventory (Note 1)	45,444	62,503	13,541	-
Prepaid Items (Note 1)	67,584	9,538	1,953	-
Other Assets (Notes 1 and 10)	2,740	319	2,013	-
Loans Receivable from Component Units (Notes 1 and 9)	-	-	-	-
Restricted Cash and Cash Equivalents (Notes 1, 6, and 11)	-	446,036	-	-
Total Assets	$ 3,192,529	$ 3,137,957	$ 799,116	$ 309,815
Liabilities and Fund Balances				
Accounts Payable (Notes 1 and 23)	$ 251,717	$ 237,770	$ 127,394	$ 27
Amounts Due to Other Governments	363,195	1,342	256,330	-
Due to Other Funds (Note 9)	46,396	15,227	7,479	-
Due to Component Units (Note 9)	5,836	-	5,576	-
Due to External Parties (Fiduciary Funds) (Note 9)	33,009	7,515	4,160	-
Interfund Payable (Note 9)	13,885	3,000	22,122	-
Deferred Revenue (Note 1)	551,630	23,324	91,526	16,789
Unearned Revenue (Note 1)	-	40,811	14,926	-
Deferred Taxes (Note 1)	463,399	-	-	-
Obligations Under Securities Lending Program (Notes 1 and 6)	600,497	367,172	8,275	8,591
Other Liabilities (Notes 1 and 24)	921,053	7,042	233,509	-
Loans Payable to Component Units (Notes 1 and 9)	-	-	-	164,790
Long-term Liabilities Due Within One Year (Notes 1, 20, and 25)	689	224	188	-
Total Liabilities	3,251,306	703,427	771,485	190,197
Fund Balances (Note 3):				
Nonspendable	113,028	72,040	15,494	-
Restricted	464,536	138,088	12,137	119,618
Committed	409,551	2,224,402	-	-
Assigned	-	-	-	-
Unassigned	(1,045,892)	-	-	-
Total Fund Balances (Deficit) (Note 4)	(58,777)	2,434,530	27,631	119,618
Total Liabilities and Fund Balances	$ 3,192,529	$ 3,137,957	$ 799,116	$ 309,815

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 642,539	$ 3,426,264
121,906	1,693,412
73,588	2,449,858
8,032	58,978
-	5,212
1,016	1,103
114,505	114,505
5,687	127,175
18,103	97,178
1,937	7,009
34,350	34,350
-	446,036
$ 1,021,663	$ 8,461,080
$ 52,299	$ 669,207
361	621,228
6,513	75,615
2,575	13,987
7,550	52,234
-	39,007
23,301	706,570
8,520	64,257
-	463,399
31,595	1,016,130
2,166	1,163,770
-	164,790
251	1,352
135,131	5,051,546
52,442	253,004
365,398	1,099,777
458,476	3,092,429
10,216	10,216
-	(1,045,892)
886,532	3,409,534
$ 1,021,663	$ 8,461,080

Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets

June 30, 2011
(Dollars in Thousands)

Total fund balances - governmental funds (see Balance Sheet - Governmental Funds)	$	3,409,534
When capital assets (land, buildings, equipment, improvements, construction-in-progress, intangible assets, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the primary government as a whole.		
Nondepreciable Capital Assets		5,952,725
Depreciable Capital Assets		16,411,457
Long-term liabilities applicable to the primary government's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Tax Note		(60,959)
Pension Liability		(1,391,028)
OPEB Liability		(297,298)
Capital Lease		(70,315)
Installment Purchases		(95,081)
Compensated Absences		(304,898)
Uninsured Employer's Fund		(24,308)
Regional Jails		(4,617)
Bonds		(5,662,138)
Notes		(9,336)
Accrued Interest Payable		(89,834)
Other Obligations		(87,264)
Pollution Remediation Liability		(4,772)
Internal service funds are used by the primary government to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.		(255,156)
Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.		(215,394)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		693,933
Net assets of governmental activities (see Government-wide Statement of Net Assets)	$	17,895,251

The accompanying notes are an integral part of this financial statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

		Special Revenue		
	General	Commonwealth Transportation	Federal Trust	Literary
Revenues				
Taxes	$ 15,698,740	$ 2,030,801	$ -	$ -
Rights and Privileges	73,579	542,400	-	302
Institutional Revenue	39,268	-	-	-
Interest, Dividends, Rents, and Other Investment Income	91,919	30,588	1,541	15,298
Federal Grants and Contracts	-	1,130,752	9,617,849	-
Other (Note 26)	543,314	114,608	108,619	141,008
Total Revenues	16,446,820	3,849,149	9,728,009	156,608
Expenditures				
Current:				
General Government	2,218,947	1,803	144,243	77
Education	6,924,744	2,405	1,533,642	199,223
Transportation	516	3,840,230	16,954	-
Resources and Economic Development	305,581	12,352	263,001	-
Individual and Family Services	4,457,147	-	7,723,950	-
Administration of Justice	2,270,996	9,435	37,182	-
Capital Outlay	6,746	18,619	20,049	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	16,184,677	3,884,844	9,739,021	199,300
Revenues Over (Under) Expenditures	262,143	(35,695)	(11,012)	(42,692)
Other Financing Sources (Uses)				
Transfers In (Note 30)	707,634	93,708	14,600	10,865
Transfers Out (Note 30)	(473,045)	(288,846)	(19,096)	-
Notes Issued	18,753	-	-	-
Insurance Recoveries	42	2,376	-	-
Capital Leases Initiated	-	1,175	582	-
Bonds Issued	-	600,000	-	-
Premium on Debt Issuance	-	50,394	-	-
Refunding Bonds Issued	-	-	-	-
Sale of Capital Assets	499	2,340	-	-
Payment to Refunded Bond Escrow Agents	-	-	-	-
Total Other Financing Sources (Uses)	253,883	461,147	(3,914)	10,865
Net Change in Fund Balances	516,026	425,452	(14,926)	(31,827)
Fund Balance (Deficit), July 1, as restated (Note 2)	(574,803)	2,009,078	42,557	151,445
Fund Balance (Deficit), June 30 (Note 4)	$ (58,777)	$ 2,434,530	$ 27,631	$ 119,618

The accompanying notes are an integral part of this financial statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 95,826	$ 17,825,367
300,445	916,726
344,987	384,255
19,306	158,652
-	10,748,601
331,390	1,238,939
1,091,954	31,272,540
73,991	2,439,061
22,434	8,682,448
2,388	3,860,088
304,930	885,864
507,068	12,688,165
80,250	2,397,863
393,777	439,191
456,380	456,380
233,327	233,327
2,074,545	32,082,387
(982,591)	(809,847)
671,555	1,498,362
(94,571)	(875,558)
18,205	36,958
5,676	8,094
-	1,757
282,820	882,820
20,710	71,104
50,780	50,780
-	2,839
(54,874)	(54,874)
900,301	1,622,282
(82,290)	812,435
968,822	2,597,099
$ 886,532	$ 3,409,534

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds)	$	812,435
When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.		
Nondepreciable Capital Assets Constructed/Acquired		1,792,899
Nondepreciable Capital Assets Disposed		(59,290)
Depreciable Capital Assets Acquired		385,772
Depreciable Capital Assets Disposed		(184,595)
Depreciation Expense		(747,563)
Debt proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term debt in the Statement of Net Assets.		
Debt Issuance		(882,820)
Capital Lease Proceeds		(1,757)
Bond Premiums		(71,104)
Refunding Bonds Issued		(50,780)
Installment Purchase Proceeds		(36,958)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets.		
Debt Service Fund Repayment of Debt Principal		456,380
Repayment of Debt Principal in Other Funds:		
Installment Purchases		17,263
Regional Jails		2,636
Payment to Refunded Bond Escrow Agent is an expenditure in the governmental funds, but the refunding reduces long-term debt in the Statement of Net Assets.		54,874
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		30,050
Increases/decreases of expenses associated with long-term debt reported in the Statement of Activities do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.		
Increase in Pension Liability		(257,756)
Increase in OPEB Liability		(85,870)
Decrease in Other Long-term Liabilities		2,877
Decrease in Interest Expense, Amortization of Deferrals on Long-term Debt and accrued interest liability		4,378
Decrease in Compensated Absences		8,466
Increase in Other Liabilities		(36,188)
Net Increase in Due to Component Units for Capital and Other Projects resulting from appropriation reductions or amounts due to Federal Governments for interest and rebate repayments, which are not reported as expenditures in the fund statements.		(4,106)
The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities.		(49,814)
Change in net assets of governmental activities (See Government-wide Statement of Activities)	$	1,099,429

The accompanying notes are an integral part of this financial statement.

Proprietary Funds

The Proprietary Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Major Enterprise Funds

The State Lottery accounts for all receipts and expenses from the operations of the State Lottery.

The Virginia College Savings Plan administers the Virginia Prepaid Education Program. The plan offers contracts, for actuarially determined amounts, guaranteeing full future tuition and mandatory fee payments at Virginia's higher education institutions and differing payouts at private or out-of-state institutions. The fund accounts for the actuarially determined contributions and payments for approved expenses.

The Unemployment Compensation Fund administers the temporary partial income replacement payments to unemployed covered workers.

Nonmajor Enterprise Funds include those operations of state agencies which are listed on page 203 in the Combining and Individual Fund Statements and Schedules section of this report.

Internal Service Funds include those operations of state agencies which are listed on page 219 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Proprietary Funds

June 30, 2011
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Assets				
Current Assets:				
Cash and Cash Equivalents (Notes 1 and 6)	$ 190,490	$ 89,345	$ 59,560	$ 187,272
Investments (Notes 1 and 6)	93,802	-	-	102
Receivables, Net (Notes 1 and 7)	45,799	70,098	137,469	33,940
Due from Other Funds (Note 9)	-	-	820	860
Due From External Parties (Fiduciary Funds) (Note 9)	-	-	-	-
Due From Component Units (Note 9)	-	-	-	-
Inventory (Note 1)	-	-	-	51,815
Prepaid Items (Note 1)	532	-	-	2,014
Other Assets (Notes 1 and 10)	1	-	-	169
Total Current Assets	330,624	159,443	197,849	276,172
Noncurrent Assets:				
Investments (Notes 1 and 6)	174,992	1,866,565	-	-
Receivables, Net (Notes 1 and 7)	-	197,908	-	-
Nondepreciable Capital Assets (Notes 1 and 12)	-	245	-	6,290
Depreciable Capital Assets, Net (Notes 1 and 12)	9,467	3,341	-	16,913
Total Noncurrent Assets	184,459	2,068,059	-	23,203
Total Assets	515,083	2,227,502	197,849	299,375
Liabilities				
Current Liabilities:				
Accounts Payable (Notes 1 and 23)	9,203	465	162	26,357
Amounts Due to Other Governments	-	-	7,824	5,399
Due to Other Funds (Note 9)	9,220	52	2,715	12,436
Due to External Parties (Fiduciary Funds) (Note 9)	273	99	-	1,041
Interfund Payable (Note 9)	-	-	-	29,468
Unearned Revenue (Note 1)	3,208	-	-	1,917
Obligations Under Securities Lending Program (Notes 1 and 6)	223,224	-	-	431
Other Liabilities (Notes 1 and 24)	51,839	67	210,803	302
Claims Payable Due Within One Year (Notes 1 and 22)	-	-	-	24,586
Long-term Liabilities Due Within One Year (Notes 1, 20, and 25)	42,474	178,724	-	3,740
Total Current Liabilities	339,441	179,407	221,504	105,677
Noncurrent Liabilities:				
Interfund Payable (Note 9)	-	-	-	-
Claims Payable Due in More Than One Year (Notes 1 and 22)	-	-	-	12,625
Long-term Liabilities Due in More Than One Year (Notes 1, 20, and 25)	183,518	2,040,762	-	35,566
Total Noncurrent Liabilities	183,518	2,040,762	-	48,191
Total Liabilities	522,959	2,220,169	221,504	153,868
Net Assets				
Invested in Capital Assets, Net of Related Debt	9,467	2,668	-	23,203
Restricted for Unemployment Compensation	-	-	15,730	-
Unrestricted	(17,343)	4,665	(39,385)	122,304
Total Net Assets (Deficit) (Note 4)	$ (7,876)	$ 7,333	$ (23,655)	$ 145,507

Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included in business-type activities.

Net assets of business-type activities

The accompanying notes are an integral part of this financial statement.

Total	Governmental Activities Internal Service Funds
$ 526,667	$ 425,327
93,904	-
287,306	12,528
1,680	40,912
-	129
-	12,175
51,815	17,618
2,546	589
170	13,700
964,088	522,978
2,041,557	-
197,908	-
6,535	495
29,721	54,035
2,275,721	54,530
3,239,809	577,508
36,187	52,703
13,223	1,150
24,423	1,532
1,413	713
29,468	37,852
5,125	108,594
223,655	-
263,011	5,187
24,586	157,668
224,938	5,533
846,029	370,932
-	8,178
12,625	412,000
2,259,846	41,736
2,272,471	461,914
3,118,500	832,846
35,338	31,696
15,730	-
70,241	(287,034)
$ 121,309	$ (255,338)

(182)
$ 121,127

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Operating Revenues				
Charges for Sales and Services	$ 1,482,688	$ 154,007	$ 685,712	$ 956,302
Interest, Dividends, Rents, and Other Investment Income	-	304,909	-	-
Other (Note 26)	-	-	-	17,528
Total Operating Revenues	1,482,688	458,916	685,712	973,830
Operating Expenses				
Cost of Sales and Services	104,850	-	-	343,334
Prizes and Claims (Note 27)	870,172	-	661,739	220,776
Tuition Benefits Expense	-	226,900	-	-
Personal Services	21,947	7,626	-	109,701
Contractual Services	28,368	5,605	-	56,544
Supplies and Materials	600	94	-	24,953
Depreciation	2,788	320	-	3,627
Rent, Insurance, and Other Related Charges	1,402	91	-	27,986
Interest Expense	-	-	-	-
Non-recurring Cost Estimate Payments to Providers	-	-	-	37,044
Other (Note 28)	-	2,650	-	2,416
Total Operating Expenses	1,030,127	243,286	661,739	826,381
Operating Income (Loss)	452,561	215,630	23,973	147,449
Nonoperating Revenues (Expenses)				
Interest, Dividends, Rents, and Other Investment Income	1,411	-	-	197
Other (Note 29)	(97)	-	-	8,975
Total Nonoperating Revenues (Expenses)	1,314	-	-	9,172
Income (Loss) Before Transfers	453,875	215,630	23,973	156,621
Transfers In (Note 30)	-	-	-	3,512
Transfers Out (Note 30)	(456,038)	(692)	(11,292)	(150,127)
Change in Net Assets	(2,163)	214,938	12,681	10,006
Total Net Assets (Deficit), July 1, as restated (Note 2)	(5,713)	(207,605)	(36,336)	135,501
Total Net Assets (Deficit), June 30 (Note 4)	$ (7,876)	$ 7,333	$ (23,655)	$ 145,507

Some amounts reported for business-type activies in the Statement of Activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in Net Assets of business-type activities

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	
	Total	Internal Service Funds
$	3,278,709	$ 1,573,492
	304,909	-
	17,528	22
	3,601,146	1,573,514
	448,184	68,111
	1,752,687	1,027,285
	226,900	-
	139,274	47,157
	90,517	361,945
	25,647	10,338
	6,735	12,163
	29,479	70,215
	-	56
	37,044	-
	5,066	13,021
	2,761,533	1,610,291
	839,613	(36,777)
	1,608	142
	8,878	(2,932)
	10,486	(2,790)
	850,099	(39,567)
	3,512	863
	(618,149)	(9,030)
	235,462	(47,734)
	(114,153)	(207,604)
$	121,309	$ (255,338)
	2,080	
$	237,542	

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Cash Flows from Operating Activities				
Receipts for Sales and Services	$ 1,492,121	$ 161,602	$ 676,148	$ 960,177
Internal Activity-Receipts from Other Funds	-	-	7,079	7,993
Internal Activity-Payments to Other Funds	-	(342)	-	(2,297)
Payments to Suppliers for Goods and Services	(104,850)	(1,308)	-	(397,278)
Payments for Contractual Services	(18,915)	(5,306)	-	(56,273)
Payments for Prizes, Claims, and Loss Control (Note 33)	(920,795)	-	(682,373)	(220,151)
Payments for Tuition Benefits	-	(107,521)	-	-
Payments to Employees	(19,780)	(6,709)	-	(102,552)
Payments to Providers for Non-recurring Cost Estimates	-	-	-	(42,384)
Other Operating Revenue (Note 33)	-	-	-	5,107
Other Operating Expense (Note 33)	-	(2,008)	-	(283)
Net Cash Provided by (Used for) Operating Activities	427,781	38,408	854	152,059
Cash Flows from Noncapital Financing Activities				
Transfers In From Other Funds	-	-	-	3,512
Transfers Out to Other Funds	(447,020)	(671)	(9,054)	(311,358)
Other Noncapital Financing Receipt Activities (Note 33)	253	-	193,626	203,806
Other Noncapital Financing Disbursement Activities (Note 33)	(9,000)	-	(358,284)	(33,082)
Net Cash Provided by (Used for) Noncapital Financing Activities	(455,767)	(671)	(173,712)	(137,122)
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(5,186)	(225)	-	(4,672)
Payment of Principal and Interest on Bonds and Notes	-	(561)	-	(189)
Proceeds from Sale of Capital Assets	-	-	-	-
Other Capital and Related Financing Receipt Activities (Note 33)	-	-	-	-
Other Capital and Related Financing Disbursement Activities (Note 33)	-	-	-	(100)
Net Cash Provided By (Used for) Capital and Related Financing Activities	(5,186)	(786)	-	(4,961)
Cash Flows from Investing Activities				
Purchase of Investments	(5,217)	(1,812,718)	-	-
Proceeds from Sales or Maturities of Investments	52,831	1,590,919	-	-
Investment Income on Cash, Cash Equivalents, and Investments	1,061	128,500	-	-
Net Cash Provided by (Used for) Investing Activities	48,675	(93,299)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	15,503	(56,348)	(172,858)	9,976
Cash and Cash Equivalents, July 1	4,149	145,693	232,418	177,135
Cash and Cash Equivalents, June 30	$ 19,652	$ 89,345	$ 59,560	$ 187,111
Reconciliation of Cash and Cash Equivalents				
Per the Statement of Net Assets:				
Cash and Cash Equivalents	$ 190,490	$ 89,345	$ 59,560	$ 187,272
Cash and Travel Advances	1	-	-	169
Less:				
Securities Lending Cash Equivalents	(170,839)	-	-	(330)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 19,652	$ 89,345	$ 59,560	$ 187,111

The accompanying notes are an integral part of this financial statement.

	Governmental Activities	
	Total	Internal Service Funds
	$ 3,290,048	$ 569,418
	15,072	1,014,064
	(2,639)	(10,463)
	(503,436)	(154,788)
	(80,494)	(362,713)
	(1,823,319)	(982,143)
	(107,521)	-
	(129,041)	(45,551)
	(42,384)	-
	5,107	-
	(2,291)	(9,300)
	619,102	18,524
	3,512	863
	(768,103)	(9,030)
	397,685	7,142
	(400,366)	(1,493)
	(767,272)	(2,518)
	(10,083)	(8,210)
	(750)	(7,488)
	-	932
	-	13
	(100)	-
	(10,933)	(14,753)
	(1,817,935)	-
	1,643,750	-
	129,561	-
	(44,624)	-
	(203,727)	1,253
	559,395	424,179
	$ 355,668	$ 425,432
	$ 526,667	$ 425,327
	170	105
	(171,169)	-
	$ 355,668	$ 425,432

Continued on next page

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Business-type Activities Enterprise Funds			
	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor
Reconciliation of Operating Income				
To Net Cash Provided by (Used for)				
Operating Activities				
Operating Income (Loss)	$ 452,561	$ 215,630	$ 23,973	$ 147,449
Adjustments to Reconcile Operating				
Income to Net Cash Provided by (Used for)				
Operating Activities				
Depreciation	2,788	320	-	3,627
Interest, Dividends, Rents, and Other Investment Income	(13,268)	(305,702)	-	-
Miscellaneous Nonoperating Income	-	-	-	-
Other Expenses	-	-	-	4,220
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	9,039	9,468	(22,764)	2,057
(Increase) Decrease in Due From Other Funds	-	-	(346)	(454)
(Increase) Decrease in Due From External Parties (Fiduciary Funds)	-	-	-	-
(Increase) Decrease in Due From Component Units	-	-	-	-
(Increase) Decrease in Other Assets	-	(16)	-	-
(Increase) Decrease in Inventory	-	-	-	(1,334)
(Increase) Decrease in Prepaid Items	(87)	-	-	(318)
Increase (Decrease) in Accounts Payable	899	(986)	(29)	(1,362)
Increase (Decrease) in Amounts Due to Other Governments	-	-	(212)	(9,464)
Increase (Decrease) in Due to Other Funds	(24)	24	238	1,203
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(156)	8	-	81
Increase (Decrease) in Interfund Payables	-	-	-	(59)
Increase (Decrease) in Unearned Revenue	394	-	-	(544)
Increase (Decrease) in Other Liabilities	7,843	10	(6)	(26)
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-	(3,227)
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-	2,275
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(9,844)	22,356	-	85
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(22,364)	97,296	-	7,850
Net Cash Provided by (Used for) Operating Activities	$ 427,781	$ 38,408	$ 854	$ 152,059
Noncash Investing, Capital, and Financing Activities:				
The following transactions occurred prior to the statement of net assets date:				
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -	$ -
Change in Fair Value of Investments	-	177,807	-	-
Capital Asset Addition Included in Accounts Payable	-	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 177,807	$ -	$ -

The accompanying notes are an integral part of this financial statement.

	Governmental Activities
Total	Internal Service Funds
$ 839,613	$ (36,777)
6,735	12,163
(318,970)	-
-	221
4,220	(7,342)
(2,200)	7,206
(800)	(2,891)
-	(8)
-	(372)
(16)	(5,917)
(1,334)	(2,306)
(405)	(439)
(1,478)	(7,555)
(9,676)	433
1,441	63
(67)	(9)
(59)	-
(150)	25,779
7,821	4,079
(3,227)	(1,753)
2,275	32,579
12,597	(62)
82,782	1,432
$ 619,102	$ 18,524
$ -	$ 5,261
177,807	5
-	43
$ 177,807	$ 5,309

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System or the Department of Accounts.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the Local Government Investment Pool sponsored by the Commonwealth.

Agency Funds

Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.

A listing of all Fiduciary Funds is located on pages 228-229 in the Combining and Individual Fund Statements and Schedules section of this report. Combining financial statements for all Fiduciary Funds begin on page 230.

Statement of Fiduciary Net Assets – Fiduciary Funds

June 30, 2011
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
Assets				
Cash and Cash Equivalents (Notes 1 and 6)	$ 100,544	$ 56,872	$ 1,317,500	$ 292,777
Investments (Notes 1 and 6):				
Bonds and Mortgage Securities	55,024	17,897,984	22,204	-
Stocks	316,235	21,241,504	-	-
Fixed Income Commingled Funds	-	1,892,753	-	-
Index and Pooled Funds	582,987	6,135,556	-	-
Real Estate	-	3,111,418	-	-
Private Equity	-	5,194,663	-	-
Mutual and Money Market Funds	891,259	-	-	-
Short-term Investments	-	141,529	1,447,273	58,729
Other	206,594	3,664,136	-	340,790
Total Investments	2,052,099	59,279,543	1,469,477	399,519
Receivables, Net (Notes 1 and 7):				
Accounts	5	-	-	58,278
Contributions	-	109,957	-	-
Interest and Dividends	1,671	203,504	271	-
Security Transactions	-	1,425,051	-	-
Other Receivables	-	115,041	-	-
Total Receivables	1,676	1,853,553	271	58,278
Due from Other Funds (Note 9)	-	10,770	-	-
Due from Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	-	54,360	-	-
Due from Component Units (Note 9)	-	26,440	-	-
Prepaid Items (Note 1)	212	-	-	-
Other Assets (Notes 1 and 10)	-	-	-	40
Furniture and Equipment (Note 1)	-	23,164	-	-
Total Assets	2,154,531	61,304,702	2,787,248	750,614
Liabilities				
Accounts Payable and Accrued Expenses (Notes 1 and 23)	1,352	38,873	-	3,943
Amounts Due to Other Governments	-	-	-	231,284
Due to Other Funds (Note 9)	39	10,731	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities) (Note 9)	26	189	1	1,016
Obligations Under Securities Lending Program (Notes 1 and 6)	1,124	3,667,779	-	1,881
Other Liabilities (Notes 1 and 24)	31	197,594	-	511,895
Retirement Benefits Payable	-	251,660	-	-
Refunds Payable	-	4,411	-	-
Compensated Absences Payable (Notes 1 and 20)	227	1,961	-	-
Insurance Premiums and Claims Payable	-	48,293	-	595
Payable for Security Transactions	-	2,512,041	-	-
Pension Liability	832	8,099	-	-
Other Postemployment Benefits (OPEB) Liability	253	2,462	-	-
Total Liabilities	3,884	6,744,093	1	750,614
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes	$ 2,150,647	$ 54,560,609	$ 2,787,247	$ -

The accompanying notes are an integral part of this financial statement.

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Private Purpose Trust Funds	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 266,193	$ 9,288,847	$ 4,364
Distributions to Shareholders from Net Investment Income	-	-	(4,364)
Total Investment Income	266,193	9,288,847	-
Less Investment Expenses	3,198	321,428	-
Net Investment Income	262,995	8,967,419	-
Proceeds from Unclaimed Property	142,853	-	-
Contributions:			
Participants	273,036	-	-
Member	-	764,671	-
Employer	-	889,812	-
Total Contributions	273,036	1,654,483	-
Shares Sold	-	-	4,087,649
Reinvested Distributions	-	-	4,483
Other Revenue (Note 26)	1	1,678	-
Total Additions	678,885	10,623,580	4,092,132
Deductions:			
Loan Servicing Payments	66	-	-
Educational Expense Benefits	93,943	-	-
Retirement Benefits	-	3,264,822	-
Refunds to Former Members	-	100,668	-
Retiree Health Insurance Credits	-	126,499	-
Insurance Premiums and Claims	28,621	155,033	-
Trust Payments	2,098	-	-
Administrative Expenses	4,860	30,814	-
Other Expenses (Note 28)	-	8,129	-
Shares Redeemed	11,253	-	4,563,701
Long-term Disability Benefits	-	28,187	-
Total Deductions	140,841	3,714,152	4,563,701
Transfers:			
Transfers In	-	130	-
Transfers Out	-	(130)	-
Total Transfers	-	-	-
Net Increase (Decrease)	538,044	6,909,428	(471,569)
Net Assets Held in Trust for Pension/ Other Employment Benefits, Pool Participants, and Other Purposes			
July 1	1,612,603	47,651,181	3,258,816
June 30	$ 2,150,647	$ 54,560,609	$ 2,787,247

The accompanying notes are an integral part of this financial statement.

Component Units

Component Units are organizations that are legally separate from the primary government. Each discrete component unit serves or benefits those outside of the primary government.

The Virginia Housing Development Authority provides investment in and stimulates construction of low to moderate income housing for the citizens of the Commonwealth.

The Virginia Public School Authority provides financing to cities and counties for capital construction of primary and secondary schools.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals. Higher education institutions included in this section are:

University of Virginia, including the University of Virginia College at Wise, and the University of Virginia Medical Center
Virginia Polytechnic Institute and State University
Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority

Nonmajor Component Units include those listed on pages 252-253 in the Combining and Individual Fund Statements and Schedules section of this report.

Statement of Net Assets – Component Units

June 30, 2011
(Dollars in Thousands)

	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia
Assets			
Cash and Cash Equivalents (Notes 1 and 6)	$ 9,668	$ 12,613	$ 402,698
Investments (Notes 1 and 6)	57,230	3,163,741	5,440,885
Receivables, Net (Notes 1 and 7)	7,954,090	67,040	297,652
Contributions Receivable, Net (Note 8)	-	-	88,349
Due from Primary Government (Note 9)	-	-	8,307
Due from Component Units (Note 9)	-	-	7
Inventory (Note 1)	-	-	21,520
Prepaid Items (Note 1)	-	-	16,697
Other Assets (Notes 1 and 10)	51,236	-	25,454
Loans Receivable from Primary Government (Notes 1 and 9)	-	164,790	-
Restricted Cash and Cash Equivalents (Notes 6 and 11)	1,381,442	81,273	150,731
Restricted Investments (Notes 6 and 11)	106,991	-	560,376
Other Restricted Assets (Note 11)	58,339	-	9,108
Nondepreciable Capital Assets (Notes 1 and 12)	3,867	-	550,535
Depreciable Capital Assets, Net (Notes 1 and 12)	21,133	-	2,521,578
Total Assets	9,643,996	3,489,457	10,093,897
Deferred Outflows (Note 13)	-	-	11,123
Total Assets and Deferred Outflows	9,643,996	3,489,457	10,105,020
Liabilities			
Accounts Payable (Notes 1 and 23)	12,246	917	201,153
Amounts Due to Other Governments	-	70,851	-
Due to Primary Government (Note 9)	-	-	704
Due to Component Units (Note 9)	-	-	-
Due to External Parties (Fiduciary Funds) (Note 9)	-	-	5,667
Unearned Revenue (Note 1)	-	-	98,949
Obligations Under Securities Lending Program (Notes 1 and 6)	-	-	7,923
Other Liabilities (Notes 1, 13, and 24)	101,036	59,533	659,916
Loans Payable to Primary Government (Notes 1 and 9)	-	-	-
Claims Payable (Notes 1 and 22):			
Due Within One Year	-	-	-
Due in More Than One Year	-	-	-
Long-term Liabilities (Notes 1, 20, and 25):			
Due Within One Year	867,326	276,093	123,103
Due in More Than One Year	6,345,205	3,104,146	1,726,897
Total Liabilities	7,325,813	3,511,540	2,824,312
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,681	-	1,735,606
Restricted For:			
Nonexpendable:			
Higher Education	-	-	965,553
Other	-	-	-
Expendable:			
Bond Indenture	2,154,044	-	-
Capital Projects/Construction/Capital Acquisition	-	-	-
Debt Service	-	-	-
Gifts and Grants	-	-	-
Higher Education	-	-	2,811,971
Virginia Pooled Investment Program	-	-	-
Other	-	-	-
Unrestricted	144,458	(22,083)	1,767,578
Total Net Assets (Deficit) (Note 4)	$ 2,318,183	$ (22,083)	$ 7,280,708

The accompanying notes are an integral part of this financial statement.

Virginia Polytechnic Institute and State University	Virginia Commonwealth University	Nonmajor Component Units	Total
$ 237,330	$ 433,960	$ 921,499	$ 2,017,768
181,122	777,789	773,635	10,394,402
100,622	275,337	3,800,592	12,495,333
80,914	35,225	116,576	321,064
121	412	16,681	25,521
12,259	6,832	101,498	120,596
20,016	20,525	23,198	85,259
16,650	6,471	65,229	105,047
6,444	20,238	87,288	190,660
-	-	-	164,790
193,848	57,294	875,210	2,739,798
615,440	431,991	2,229,057	3,943,855
11,294	20,765	154,114	253,620
272,330	160,275	1,605,954	2,592,961
1,176,778	1,234,607	6,411,282	11,365,378
2,925,168	3,481,721	17,181,813	46,816,052
-	39,596	-	50,719
2,925,168	3,521,317	17,181,813	46,866,771
126,780	143,892	383,345	868,333
-	-	6,439	77,290
3,290	2,899	11,116	18,009
-	-	120,596	120,596
3,872	3,461	13,440	26,440
47,011	17,725	168,029	331,714
-	-	29,656	37,579
46,889	140,036	226,989	1,234,399
-	17,864	16,486	34,350
-	55,276	-	55,276
-	35,710	-	35,710
46,690	82,978	468,926	1,865,116
774,085	760,260	8,593,611	21,304,204
1,048,617	1,260,101	10,038,633	26,009,016
888,449	754,019	4,787,215	8,184,970
369,577	210,838	928,031	2,473,999
-	-	94,144	94,144
-	-	-	2,154,044
-	-	1,613,626	1,613,626
-	-	83,840	83,840
-	-	79,012	79,012
470,673	294,303	732,501	4,309,448
-	-	7,372	7,372
-	-	4,954	4,954
147,852	1,002,056	(1,187,515)	1,852,346
$ 1,876,551	$ 2,261,216	$ 7,143,180	$ 20,857,755

Statement of Activities – Component Units

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Virginia Housing Development Authority	$ 681,322	$ 531,748	$ 230,602	$ -	$ 81,028
Virginia Public School Authority	151,991	148,781	5,219	-	2,009
Higher Education:					
University of Virginia	2,830,251	1,942,214	1,012,771	76,784	201,518
Virginia Polytechnic Institute & State University	1,160,713	575,145	365,423	40,236	(179,909)
Virginia Commonwealth University	2,469,418	2,127,473	329,339	20,264	7,658
Total Higher Education	6,460,382	4,644,832	1,707,533	137,284	29,267
Nonmajor Component Units:					
Higher Education	4,634,259	1,972,390	1,094,689	376,845	(1,190,335)
Other	975,759	620,203	87,310	136,882	(131,364)
Total Nonmajor Component Units	5,610,018	2,592,593	1,181,999	513,727	(1,321,699)
Total Component Units	$ 12,903,713	$ 7,917,954	$ 3,125,353	$ 651,011	$ (1,209,395)

The accompanying notes are an integral part of this financial statement.

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent / Term Endowments
$ -	$ -	$ 15,287	$ 55	$ -	$ -
-	-	174	940	-	-
161,217	19,568	593,876	13,726	-	52,586
238,573	3,055	92,190	29,078	-	37,354
188,074	1,390	69,704	20,157	-	5,810
587,864	24,013	755,770	62,961	-	95,750
1,130,189	24,164	84,919	61,114	-	33,450
79,678	8,338	33,909	3,532	9,372	9,812
1,209,867	32,502	118,828	64,646	9,372	43,262
$ 1,797,731	$ 56,515	$ 890,059	$ 128,602	$ 9,372	$ 139,012

Continued on next page

Statement of Activities – Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Changes in Net Assets	Net Assets July 1	Net Assets (Deficit) June 30 (Note 4)
Virginia Housing Development Authority	$ 96,370	$ 2,221,813	$ 2,318,183
Virginia Public School Authority	3,123	(25,206)	(22,083)
Higher Education:			
University of Virginia	1,042,491	6,238,217	7,280,708
Virginia Polytechnic Institute & State University	220,341	1,656,210	1,876,551
Virginia Commonwealth University	292,793	1,968,423	2,261,216
Total Higher Education	1,555,625	9,862,850	11,418,475
Nonmajor Component Units:			
Higher Education	143,501	3,633,874	3,777,375
Other	13,277	3,352,528	3,365,805
Total Nonmajor Component Units	156,778	6,986,402	7,143,180
Total Component Units	$ 1,811,896	$ 19,045,859	$ 20,857,755

The accompanying notes are an integral part of this financial statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia's (the Commonwealth's) reporting entity consists of (1) the primary government, (2) component unit organizations for which the primary government is financially accountable (blended component units), and (3) other component unit organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and they are financially accountable to the primary government (discrete component units). The funds of all agencies, boards, commissions, foundations, and authorities that have been identified as part of the primary government or a component unit have been included. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39) requires the inclusion of numerous organizations that raise and hold funds for the direct benefit of the primary government.

Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criteria include appointing a voting majority of an organization's governing body, and the Commonwealth's ability to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Commonwealth.

(1) Primary Government – A primary government consists of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, and departments are, for financial reporting purposes, part of the primary government.

(2) Blended Component Units – Though legally separate entities, these component units are, in substance, part of the primary government's operations. The blended component unit serves or benefits the primary government almost exclusively. Financial information from these units is combined with that of the primary government. The Commonwealth's only blended component unit is:

Virginia Public Building Authority (VPBA) (nonmajor governmental fund) – The Authority was created as a body politic and corporate and is fiscally independent. A government instrumentality, the Authority finances the acquisition and construction of buildings for the use of the Commonwealth and other approved purposes. The Governor appoints the seven-member board, and the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

(3) Discrete Component Units – Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discrete component units serve or benefit those outside of the primary government.

GASB Statement No. 39 generally requires any organization that raises and holds economic resources for the direct benefit of the reporting entity to be reported as a component unit, even if the reporting entity is not financially accountable for the organization. The entities are included in the Commonwealth's reporting entity as non-profit charitable organizations and exist solely to support the Commonwealth's higher education institutions and certain state agencies. The higher education institution non-profit organizations are included in the applicable higher education institution's column in the accompanying financial statements. In all instances where separate disclosure of these non-profit organizations is required in the accompanying footnotes, the entities' totals are aggregated and disclosed as "foundations."

Discretely presented component units are:

Higher Education Institutions – The Commonwealth's higher education institutions are granted broad corporate powers by state statutes. The Governor appoints the members of each institution's board of trustees. In addition to the annual appropriations to support the institutions' operations, the Commonwealth provides funding for, and construction of, major academic plant facilities for the institutions. Institutions reported Operating Appropriations from Primary Government of approximately $1.7 billion and Program Revenue Capital Grants and Contributions of approximately $15.9 million from the primary government. Institutions paid the Commonwealth approximately $100.6 million. Therefore, there is a financial benefit/burden to the primary government. The bonds issued to finance the construction of these facilities are obligations of the Commonwealth. The major higher education institutions are: University of Virginia, including the University of Virginia Medical Center and the University of Virginia's College at Wise; Virginia Polytechnic Institute and State University; and Virginia Commonwealth University, including the Virginia Commonwealth University Health System Authority. The nonmajor higher education institutions are: the College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science; Virginia Military Institute; Virginia State University; Norfolk State University; University of Mary Washington; James Madison University; Radford University; Old Dominion University; George Mason University; Virginia Community College System; Christopher Newport University; and Longwood University. The Southwest Virginia Higher Education Center, Roanoke Higher Education Authority, Institute for Advanced Learning and Research, Southern Virginia Higher Education Center, and New College Institute are also included as nonmajor higher education institutions. The colleges and universities are funded through state appropriations, tuition, federal grants, and private donations and grants. As previously noted, certain foundations are considered component units of the higher education institutions, and are included in the accompanying financial statements as well as the higher education institutions' individually published financial statements. The Auditor of Public Accounts (APA) does not audit the Roanoke Higher Education Authority, the Institute for Advanced Learning and Research, and the component units of the higher education institutions, including foundations, but relies on the reports issued by other auditors to render his opinion. The APA audits the colleges and universities, and individual reports are issued under separate cover. Complete financial statements for each institution may be obtained from their respective administrative offices. The addresses for these institutions may be obtained from the Department of Accounts, 101 North 14th Street, Richmond, Virginia 23219-3638.

Innovation and Entrepreneurship Investment Authority (IEIA) (nonmajor) – The Authority is granted corporate powers by the *Code of Virginia*. The Authority serves to facilitate the marketing, organization, and development of scientific research and technology by the state's institutions of higher education and private industry in the Commonwealth. In addition, the Authority serves to promote the economic development of the Commonwealth by attracting and retaining high technology jobs and businesses in Virginia. The Governor and General Assembly appoint the 13-member board, and there is a financial benefit/burden to the primary government. The Authority's combined financial statements include the accounts of the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority. The address for the administrative offices of the Authority is CIT Building, Suite 600, 2214 Rock Hill Road, Herndon, Virginia 20170-4228. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia College Building Authority (VCBA) (nonmajor) – The Authority was created as a public body corporate, a political subdivision, and an agency and instrumentality of the Commonwealth. The Governor appoints a majority of the board and members serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Authority finances certain capital projects and equipment purchases of state-supported colleges and universities. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

Only the activity of the Authority that relates to the financing of capital projects and equipment purchases by state-supported colleges and universities is included in the financial statements. The state-supported colleges and universities reported revenue from the Authority of $408.0 million as Program Revenue Capital Grants and Contributions for the 21st Century Program and $37.3 million as Program Revenue Operating Grants and Contributions for equipment. The Authority

reported approximately $26.1 million in payments from the state-supported colleges and universities for debt service costs and approximately $11.1 million in interest on Build America Bonds. The Authority assists private institutions of higher education in the financing and refinancing of a broad range of facilities. The Authority is authorized to issue obligations and lend the proceeds to private institutions; however, such financings or refinancings are not obligations of the primary government nor the Authority, but are payable solely from the revenues pledged by the respective private institution. This indebtedness, totaling $634.4 million, is not included in the financial statements.

Virginia Housing Development Authority (VHDA) (major) – The Authority was created as a political subdivision and instrumentality of the Commonwealth and is granted both politic and corporate powers by the *Code of Virginia*. The Governor appoints a majority of the Authority's board members and the remaining board members are ex-officio. The Commonwealth may make grants to the Authority including, but not limited to, reserve funds, which is a potential financial benefit/burden to the primary government. The Commonwealth is not legally obligated by the debt of the Authority. The Authority was created in the public interest to provide investment in and stimulate construction of low to moderate income housing which benefits the citizens of the Commonwealth. The administrative offices of the Authority are located at 601 South Belvidere Street, Richmond, Virginia 23220. KPMG, LLP audits the Authority, and a separate report is issued.

Virginia Public School Authority (VPSA) (major) – The Authority was created as a public body corporate, and an agency and instrumentality of the Commonwealth to finance capital projects of city and county school boards. The Governor appoints the board members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Authority. The Auditor of Public Accounts audits the Authority, and a separate report is issued from the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218-1879.

Virginia Economic Development Partnership (VEDP) (nonmajor) – The Partnership was created as a body corporate and operates to encourage, stimulate, and support the development and expansion of commerce in the Commonwealth. The Governor appoints the 15-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Outdoors Foundation (nonmajor) – The Foundation was created as a body politic and is administratively assigned to the Department of Conservation and Recreation (part of primary government) and charged with promoting preservation through the acceptance of donated conservation easements and raising funds for the purchase of preservation land. The Governor appoints the seven-member board of trustees, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 900 South Main Street, Blacksburg, Virginia 24060. Dixon Hughes Goodman, LLP, audits the Foundation, and a separate report is issued.

Virginia Port Authority (VPA) (nonmajor) – The Authority was established as a corporate body and operates to serve the citizens and promote commerce through the harbors and ports of Virginia. The Governor appoints a majority of the 12-member board, and the primary government is able to impose its will on the Authority. There is also a financial benefit/burden to the primary government. The administrative offices of the Authority are located at 600 World Trade Center, Norfolk, Virginia 23510. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Resources Authority (VRA) (nonmajor) – The Authority was created as a statewide public body corporate political subdivision of the Commonwealth to provide financing of infrastructure projects for water supply, wastewater, storm water, solid waste treatment, airports, public safety, brownfields remediation and redevelopment, and recycling. The Governor appoints the 11-member board and the Executive Director of the Authority. The primary government is able to impose its will on the Authority, and there is a financial benefit/burden to the primary government. The Commonwealth does not guarantee any bonds issued by the Virginia Resources Authority. The administrative offices of the Authority are located at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219. Clifton Gunderson, LLP, audits the Authority, and a separate report is issued.

Virginia Tourism Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority encourages, stimulates, and promotes tourism and film production industries of the Commonwealth. The Governor appoints all of the board members, and there is a financial

benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, 19th Floor, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Foundation for Healthy Youth – The Foundation was created as a body corporate and as a political subdivision of the Commonwealth. The Foundation was established to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund and to distribute monies in this fund for such efforts as restricting the use of tobacco products by minors and the enforcement of laws restricting the distribution of tobacco products to minors. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation, and a separate report is issued.

Tobacco Indemnification and Community Revitalization Commission (nonmajor) – The Commission was created as a body corporate and as a political subdivision of the Commonwealth. The Commission was established to determine the appropriate recipients of the monies in the Tobacco Indemnification and Community Revitalization Fund. This fund is to provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns, and lost tobacco production opportunities. It also provides monies to revitalize tobacco dependent communities. The Governor appoints the majority of the board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 701 East Franklin Street, Suite 501, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Commission, and a separate report is issued.

Hampton Roads Sanitation District Commission (nonmajor) – The Commission was established as a political subdivision of the Commonwealth and a government instrumentality. The Commission, which is the governing board of the district, was granted corporate powers by the *Code of Virginia*. The Governor appoints the Commission members, who serve at his pleasure. Therefore, the primary government is able to impose its will on the Commission. The Commonwealth is not obligated by the debt of the Commission. The Commission was established to benefit the inhabitants of the district and operates a sewage system for 17 localities in the Chesapeake Bay area. The address for the administrative offices of the Commission is 1436 Air Rail Avenue, Virginia Beach, Virginia 23455. KPMG, LLP, audits the Commission, and a separate report is issued.

Virginia Biotechnology Research Partnership Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in the development of a biotechnology research park. The Governor appoints the board members of the Authority, and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at 800 East Leigh Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

The Authority issued two series of revenue bonds for specific customers, the 2002 series and the 2006 series. The 2002 series variable rate revenue bonds were for a facility built specifically for the United Network for Organ Sharing. The 2006 Series variable rate revenue bonds were for the Virginia Blood Services project. The bonds are secured by a letter of credit and are payable solely from the payments made by the borrower under the loan agreement. Neither of these bonds constitute a debt or pledge of the Authority or the Commonwealth. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Virginia Small Business Financing Authority (SBFA) (nonmajor) – The Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia*) established the Authority as a public body corporate and a political subdivision of the Commonwealth. The Governor appoints the 11-member board, and the primary government is able to impose its will on the Authority. The Authority was created to assist small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses. The Authority can provide financial assistance to small businesses by providing loans, guarantees, insurance, and other assistance, thereby encouraging the investment of private capital in small businesses in the Commonwealth. The Authority can loan money to local governments as defined by the *Code of Virginia* for economic development purposes. The Authority also guarantees loans made to small businesses by banks. The administrative offices of the Authority are located at 707 East Main Street, Suite 300, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

The Authority has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the Small Business Financing Authority, nor the Commonwealth are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities on the accompanying financial statements.

Virginia School for the Deaf and Blind Foundation (nonmajor) – The Foundation operates as a non-private educational and fundraising organization solely in connection with, and exclusively for the benefit of the Virginia School for the Deaf and Blind (School) (part of primary government). The Foundation uses a December 31 calendar year-end. The administrative offices of the Foundation are located at the Virginia Department of Education, 101 North 14th Street, 25th Floor, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Virginia School for the Deaf and the Blind, and discloses its existence in that report.

Science Museum of Virginia Foundation (nonmajor) – The Foundation is a non-stock, non-profit corporation established to implement and fund programs, projects, and operations that are authorized and approved by the trustees of the Science Museum of Virginia (part of primary government). The administrative offices of the Foundation are located at the Science Museum of Virginia, Post Office Box 11624, Richmond, Virginia 23230. Cherry, Bekaert, & Holland, LLP, audits the Foundation, and a separate report is issued.

Virginia Commercial Space Flight Authority (VCSFA) (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to facilitate and coordinate scientific and technological research and development and to promote the industrial and economic development of the Commonwealth. There is a potential financial benefit/burden to the primary government. The Commonwealth provided $26 million in bond offerings through the Virginia Public Building Authority (VPBA) to the VCSFA in fiscal year 2009. A third party provides 75.0 percent of the debt service payments to the VCSFA annually. The administrative offices of the Authority are located at 4111 Monarch Way, Suite 201, Norfolk, Virginia 23508. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Danville Science Center, Inc. (nonmajor) – The Center is non-profit corporation formed for the purpose of implementing and funding those programs, projects and operations which are authorized and approved by the trustees of the Science Museum of Virginia. The administrative offices of the Center are located at 657 Craghead Street, Post Office Box 167, Danville, Virginia 24541. Dixon Hughes Goodman, LLP, audits the Center, and a separate report is issued.

Virginia Museum of Fine Arts Foundation (nonmajor) – The Foundation operates as a non-profit corporation under the laws of Virginia to fund exhibitions, programs, and capital asset expansion to ensure that the Virginia Museum of Fine Arts (part of primary government) has the space and resources for art to help improve the quality of life for many. The administrative offices of the Foundation are located at 200 North Boulevard, Richmond, Virginia 23220. Dixon Hughes Goodman, LLP, audits the Foundation, and a separate report is issued.

A. L. Philpott Manufacturing Extension Partnership (nonmajor) – The Partnership has the mission to foster economic growth by enhancing the competitiveness of Virginia's manufacturers. The Partnership provides manufacturing firms with fee-based technology consulting services, access to business modernization resources, and support for interfirm collaboration. Further, the Partnership provides direct assistance to increase sales, decrease costs, and improve quality, productivity, and competitiveness. The Partnership has a 23-member board of trustees. The board consists of the presidents of two public four-year institutions of higher education; three community college presidents; the director of Virginia's Center for Innovative Technology; Virginia's Secretary of Commerce and Trade; and 15 citizen members, representing manufacturing industries, appointed by the Governor. There is also a financial benefit/burden to the primary government. The administrative office is located at Patrick Henry Community College, 645 Patriot Avenue, Martinsville, Virginia 24112-6693. The Auditor of Public Accounts audits the Partnership, and a separate report is issued.

Virginia Horse Center Foundation (nonmajor) – The Foundation operates the Virginia Horse Center for the benefit of the equine and tourism industries. The Foundation is a discrete component unit of the Commonwealth due to the limited ability of the Foundation to incur additional debt without the Commonwealth's approval. In addition, the Governor appoints one member of the Foundation's board of directors, and this member must approve any changes to the Foundation's by-laws or conveyance of property. The address for the administrative offices of the Foundation is 487 Maury River Road, Lexington, Virginia 24450. The accounting firm of Raetz and Hawkins, P.C., audits the Foundation, and a separate report is issued.

Virginia University Research Partnership (nonmajor) – The Partnership was created as a non-profit, non-stock corporation to receive grant monies appropriated by the General Assembly and to oversee the administration of those grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations as well as commercializes technology. Due to the primary government being the sole source of funding, it is able to impose its will on the Partnership. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798.

Fort Monroe Authority (nonmajor) – The Authority is a legally separate, political subdivision of the Commonwealth created by the General Assembly to assist in formulating a reuse plan for Fort Monroe. The Governor appoints a majority of the 18-member board and there is a potential financial benefit/burden to the primary government. The administrative offices of the Authority are located at Old Quarters #1, 151 Bernard Road, Fort Monroe, Virginia 23651. Cherry, Bekaert, & Holland, LLP, audits the Authority, and a separate report is issued.

Assistive Technology Loan Fund Authority (nonmajor) – The Authority was created as a political subdivision and public body corporate by the *Code of Virginia*. The Governor appoints the board of directors as directed by the *Code*. The Authority manages a fund to provide loans to individuals to acquire assistive technology, other equipment, or other authorized purposes designed to help disabled individuals become more independent. The administrative offices are located at 1602 Rolling Hills Drive, Suite 107, Richmond, Virginia 23229. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia National Defense Industrial Authority (nonmajor) – The Authority was created as a public body corporate and as a political subdivision of the Commonwealth. The Authority fosters and promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth. The Governor appoints a majority of the 16-member board, and there is a financial benefit/burden to the primary government. The administrative offices are located at 901 East Byrd Street, Post Office Box 798, Richmond, Virginia 23218-0798. The Auditor of Public Accounts audits the Authority, and a separate report is issued.

Virginia Sesquicentennial of the American Civil War Foundation (nonmajor) – The Foundation was established to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War. The Foundation was formed under the Virginia Nonstock Corporation Act. The economic resources received or held by the Foundation are entirely or almost entirely for the direct benefit of the primary government. The administrative offices are located at 910 Capitol Street, Richmond, Virginia 23219. Brown, Edwards & Company, LLP, audits the Foundation, and a separate report is issued.

Virginia Land Conservation Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Department of Conservation and Recreation (part of primary government) by acquiring interests in preservation land and providing grants to other entities to acquire interests in preservation land. The Governor appoints the 18-member board, and the primary government can impose its will on the Foundation. The administrative offices of the Foundation are located at 203 Governor Street, Suite 302, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Department of Conservation and Recreation and discloses its existence in that report.

Virginia Arts Foundation (nonmajor) – The Foundation was created as a body politic and corporate to serve the Virginia Commission for the Arts (part of primary government) by promoting the arts in the Commonwealth. The Governor appoints the board of trustees for the Virginia Commission for the Arts, which also serves as the board for the Virginia Arts Foundation. The Director of the Virginia Commission for the Arts serves as the board chairman. In addition, the primary government can impose its will on the Foundation. The administrative offices of the Foundation are

located at 223 Governor Street, Richmond, Virginia 23219. The Auditor of Public Accounts audits the Foundation as part of the Virginia Commission for the Arts.

Library of Virginia Foundation (nonmajor) – The Foundation was created as a private, non-profit 501 (c) (3) corporation supporting the Library of Virginia. The Foundation was established upon receipt of a major bequest. The articles of incorporation stipulate that the Foundation shall at all times be operated solely in connection with, and exclusively for the benefit of the Library of Virginia. The Foundation is governed by a separate board of directors, and promotes and supports the Library of Virginia in all activities. The administrative offices of the Foundation are located at 800 East Broad Street, Richmond, Virginia 23219. Barcalow & Hart PLLC, audits the Foundation, and a separate report is issued.

(4) Related Organizations – Organizations for which the primary government appoints a majority of the board, but is not financially accountable, are related organizations. Related organizations are:

Tobacco Settlement Financing Corporation – The Corporation was created by the Tobacco Settlement Financing Corporation Act, Chapters 482 and 488 of the Acts of the General Assembly during the 2002 General Assembly Session. The Corporation is a public body corporate entity and an independent instrumentality of the Commonwealth, managed by a six-member board, including the State Treasurer. The Corporation purchased all of the future tobacco settlement revenue allocated to the Tobacco Indemnification and Community Revitalization Commission, a discrete component unit of the Commonwealth. Neither the Commonwealth's nor the Virginia Foundation for Healthy Youth's (component unit) tobacco revenue was securitized. The administrative offices of the Corporation are located at 101 N. 14th Street, 3rd Floor, Post Office Box 1879 Richmond, Virginia 23218-1879. Clifton Gunderson, LLP, audits the Corporation, and a separate report is issued.

Virginia Recreational Facilities Authority – The Authority was created as a political subdivision and instrumentality of the Commonwealth and given separate corporate powers by the *Code of Virginia*. The Governor appoints the 13-member board of directors. The Authority operates educational programs, tourism, and commerce in the Roanoke Valley. The address for the administrative offices of the Authority is 5204 Bernard Drive SW, Post Office Box 29800, Roanoke, Virginia 24018. Robinson, Farmer, Cox Associates audits the Authority, and a separate report is issued.

Jamestown-Yorktown Foundation, Inc. – The non-profit corporation was created by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The corporation board consists of five members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Corporation's basic activities consist of soliciting and collecting contributions, purchasing artifacts, sponsoring events and exhibits, and overseeing investments. The administrative offices of the Corporation are located at 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Cherry, Bekaert & Holland, LLP, audits the Corporation, and a separate report is issued.

Jamestown-Yorktown Educational Trust – The Trust was created as a non-profit corporation by the *Code of Virginia* to assist the Jamestown-Yorktown Foundation (Foundation). The Trust board consists of six members selected from the Foundation's board of trustees. Several Commonwealth officials serve as ex-officio members of the Foundation's board, and the Governor appoints 12 members. The Trust operates the Jamestown Settlement and Yorktown Victory Centers' gift shops and café. The address for the administrative offices of the Trust is 2207 Colonial Parkway, Post Office Box 3605, Williamsburg, Virginia 23187. Dixon Hughes Goodman, LLP, audits the Trust, and a separate report is issued.

Virginia Birth-Related Neurological Injury Compensation Program – The Program was created to provide a no-fault alternative for birth-related neurological injuries. The Governor appoints the seven-member board. The administrative offices of the Program are located at 7501 Boulders View Drive, Suite 210, Richmond, Virginia 23225. KPMG, LLP, audits the Program, and a separate report is issued.

Chesapeake Bay Bridge and Tunnel Commission – The Commission was created to establish policy and administer operations of the Chesapeake Bay Bridge Tunnel District. Any of the 11 members of the Commission appointed or reappointed on or after July 1, 1998, shall be appointed by the Governor, subject to confirmation by each house of the General Assembly. The administrative offices of the Commission are located at 32386 Lankford Highway, Cape Charles, Virginia 23310. KPMG, LLP, audits the Commission, and a separate report is issued.

C. Government-wide and Fund Financial Statements

The Government-wide Financial Statements, the Statement of Net Assets and the Statement of Activities, report information on all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Also, the primary government activity is reported separately from the legally separate component units for which the Commonwealth is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a specific function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. In addition, to the extent that indirect costs are allocated to the various functions, the program expenses will include both direct and indirect costs. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit, as well as investment income generated by operations. Program revenues also include grants, contributions, and investment income that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items properly excluded from program revenues are reported as general revenues.

Fund equity is restricted when constraints are placed on them that are imposed by external parties or constitutional provisions. When both restricted and unrestricted resources are available for use, the Commonwealth's policy is to use the restricted resources first. Some institutions of higher education may follow a different policy. When committed, assigned, and unassigned resources are available for use, the Commonwealth's policy is to use the committed resources first, assigned resources next, and unassigned resources last.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. However, fiduciary funds are not included in the government-wide statements. Major governmental funds, enterprise funds, and component units are reported as separate columns in the fund financial statements, with nonmajor funds being aggregated into a single column.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year (or one year for Medicaid). Significant revenues subject to accrual include federal grants and income and sales taxes. Income tax revenues for tax underpayments are only recognized to the extent of the primary government's estimated refunds for tax overpayments received. Revenues that the primary government earns by incurring obligations are recognized in the same period as when the obligations are recognized.

Expenditures generally are recorded when a liability is incurred, as under full accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when the payment is due.

The primary government reports the following major governmental funds:

General Fund – Accounts for the transactions related to resources received and used for those services traditionally provided by a state government, and which are not accounted for in any other fund. These services include general government, legislative and judicial activities, public safety, health and mental health programs, resources and economic development, licensing and regulation, and primary and secondary education.

Commonwealth Transportation Special Revenue Fund – Accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is received from highway user taxes, fees, and funds received from the federal government.

Federal Trust Special Revenue Fund – Accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education.

Literary Fund Special Revenue Fund – Accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements – The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the full accrual basis of accounting. As with the government-wide statements, revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus since they only report assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating.

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, provides governments two options for reporting their enterprise funds (including component units reporting as business-type activities). All enterprise funds reported herein, with the exception of the State Lottery (major enterprise fund), Behavioral Health Local Funds (nonmajor enterprise fund), the Virginia Biotechnology Research Partnership Authority (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit), and the Innovation and Entrepreneurship Investment Authority (nonmajor component unit) apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The State Lottery (major enterprise fund), Behavioral Health Local Funds (nonmajor enterprise fund), the Virginia Biotechnology Research Partnership Authority (nonmajor component unit), the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit), and the Innovation and Entrepreneurship Investment Authority (nonmajor component unit) apply all of these pronouncements, and also apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Foundations' (component units) financial statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The financial statements are prepared under FASB rather than GASB standards. In some instances, activities of the foundations (component units) are reported separately within the footnotes because of the different reporting standards. Also, some foundations (component units) have a December 31st or March 31st year-end rather than a fiscal year-end. Foundations (component units) with different year-ends are included in these financial statements for the year ending December 31, 2010, or March 31, 2011. Significant intrafund activity/balances between each higher education institution and their foundations have been eliminated. However, Old Dominion University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution assets of $75.9 million and liabilities of $71.1 million, and foundation assets of $63.1 million and liabilities of $72.9 million. Longwood University (nonmajor component unit) reported the following intrafund balances that could not be eliminated because of differing year-ends: institution expenses of $2.9 million and foundation assets of $0.3 million and revenues of $2.7 million.

The primary government reports the following major enterprise funds:

State Lottery Fund – Accounts for all receipts and expenses of the State Lottery.

Virginia College Savings Plan Fund – Administers the Virginia Prepaid Education Program.

Unemployment Compensation Fund – Accounts for receipts from employers and expenses incurred to provide benefits to eligible unemployed workers.

Additionally, the primary government reports the following fund types:

Governmental Fund Types:

Special Revenue Funds – Account for transactions related to resources received and used for restricted, committed, or specific purposes.

Debt Service Funds – Account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations.

Capital Project Funds – Account for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds. The primary resource for these funds is the proceeds of bond issues and energy performance contracts. Principal uses are for construction and improvement of state office buildings, correctional and mental health facilities, and parks.

Permanent Funds – Account for transactions of the Commonwealth Health Research Fund and the Behavioral Health Endowment Funds whose principal must remain intact and whose income is used to benefit the Commonwealth's citizens and mental health patients.

Proprietary Fund Types:

Enterprise Funds – Account for transactions related to resources received and used for financing self-supporting activities of the primary government that offer products and services on a user-charge basis to external users.

Internal Service Funds – Account for transactions related to the financing and sale of goods or services provided by the agencies of the primary government to other agencies and institutions of the Commonwealth. Activities include the provision of information technology, manufacturing activities, insurance programs, fleet services, facilities and property management, engineering and payroll services.

Fiduciary Fund Types:

Private Purpose Trust Funds – Account for transactions of all other trust arrangements in which the principal and income benefit individuals, private organizations, or other governments. These trusts include those for escheat property, educational savings plan, and others.

Pension and Other Employee Benefit Trust Funds – Account for transactions of the Commonwealth administered retirement systems and other employment benefits.

Investment Trust Fund – Accounts for the external portion of the Local Government Investment Pool that is sponsored by the Commonwealth.

Agency Funds – Account for amounts held in trust by the primary government for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, deposits of insurance carriers, child support collections and other miscellaneous accounts.

E. Budgetary Process

Budgetary amounts shown in the Required Supplementary Information and Combining and Individual Fund Statements and Schedules Sections represent the total of the original budgeted amounts and all supplemental appropriations. The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. Unexpended appropriations at the end of the fiscal year generally lapse. However, they may be reappropriated for expenditure in the following fiscal year. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the Commonwealth, and of estimated revenues and borrowing for a biennium, to the General Assembly. Budgets are adopted for the General and Special Revenue Funds, except for the Literary – Special Revenue (major). Formal budgetary integration is not employed for the Capital Projects (nonmajor), Debt Service (nonmajor), Permanent Funds (nonmajor), and the Literary – Special Revenue (major) because effective budgetary control is alternatively achieved through the General Fund and the remaining Special Revenue Funds.

The budget is prepared on a biennial basis; however, the budgets of the General and Special Revenue Funds contain separate appropriations for each year within the biennial budget, as approved by the General Assembly and signed into law by the Governor. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a state agency or from one state agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly.

Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations.

F. Cash, Cash Equivalents, and Investments

Cash

In order to maximize the Commonwealth's earning potential, the majority of the primary government's cash balances are pooled together in the general account for investment purposes. The amounts required for operations are liquidated as needed. Since all amounts not required for operations are held in investment securities, it is possible that the cash balances could be negative due to timing differences in liquidating the investments.

As of June 30, 2011, the General Fund had a negative cash balance of $4.0 billion. In order to properly reflect the general account position, this negative cash balance has been eliminated in the accompanying statements and offset against the primary government's cash equivalents and investments (see Note 6).

Cash Equivalents

Cash equivalents are investments with an original maturity of 90 days or less.

Investments

Investments are principally comprised of monies held by component units, Pension and Other Employee Benefit Trust Funds, and monies held by the State Treasurer in both the general account and other fiduciary accounts.

Governmental and proprietary funds, both primary government and component units, report investments in money market and in the Commonwealth sponsored investment pools at amortized cost which approximates fair value. All other investments are reported at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Investments administered by the Virginia Retirement System (the System) are reported at fair value. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Investments in affiliated organizations are accounted for on the equity method of accounting and the System's share of their earnings (losses) for the period is included in investment income using the equity method.

Investments of higher education institutions (component units) are reported at fair value, except for money market investments and investments in the Commonwealth sponsored investment pools, which are reported at amortized cost.

Derivatives

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates, or financial indexes (see Note 13).

G. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes, as well as receivables of the primary government's Medicaid program. Receivables in the proprietary funds consist primarily of tuition contribution receivables and unemployment compensation. Receivables of fiduciary funds are primarily the accrual of security transactions in the Pension and Other Employee Benefit Trust Funds and the accrual of local sales taxes in the Agency Funds. Receivables of the component units consist primarily of mortgage receivables, loan receivables, patient receivables, and student receivables. Receivables are recorded net of allowances for doubtful accounts (see Note 7).

H. Contributions Receivable, Net

Contributions Receivable reported by the foundations (component units) represents pledges or unconditional promises to give that have been discounted (see Note 8).

I. Internal Balances

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities (see Note 9).

J. Inventory

Inventories consist of materials and supplies and are reported as expenditures when consumed. These assets are classified as nonspendable fund balance. Inventories exceeding $1 million of the General and the Special Revenue Funds are maintained at cost using the first-in, first-out (FIFO) methodology, except for the following:

- Department of State Police (VSP)
- Virginia Department of Transportation (VDOT)
- Department of Health (VDH)
- Department for the Blind and Vision Impaired (DBVI)

VSP inventories are recorded in the General (major) and Other Special Revenue (nonmajor) Funds using the average cost methodology and are maintained at cost. VDOT inventories are recorded in the Commonwealth Transportation Fund (major) using the FIFO and average cost methodologies and are maintained at either cost or average cost. VDH inventories are recorded in the General (major), Health and Social Services Special Revenue (nonmajor), and Federal Trust (major) Funds. These inventories are maintained at cost based on either FIFO or the average cost methodology. DBVI inventories are maintained at cost or average cost based on the FIFO methodology and are recorded in the General (major) Fund.

In addition to inventories maintained as stated above, the following agencies reported donated inventory on hand at June 30, 2011:

- Department of Health (VDH)
- Department of Corrections (DOC)
- Department of Behavioral Health and Developmental Services (DBHDS)
- Department of Juvenile Justice (DJJ)

Inventories maintained by Correctional Enterprises (internal service fund) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Museum of Fine Arts (nonmajor enterprise fund), the Science Museum of Virginia (nonmajor enterprise fund), and the Consolidated Laboratory (nonmajor enterprise fund) are stated at cost using FIFO. Inventories maintained by the internal service funds except for Correctional Enterprises are stated at cost using FIFO.

Inventories maintained by the Department of Alcoholic Beverage Control (nonmajor enterprise fund) are stated at average cost using FIFO.

The Virginia Industries for the Blind (nonmajor enterprise fund) maintains inventories at cost using the average cost methodology.

Institutions of higher education (component units) use several methods for inventory valuations, including cost using FIFO, the lower of cost or market using FIFO, or weighted average methods. Inventories maintained by the Virginia Horse Center Foundation (nonmajor component unit) are stated at the lower of cost or market using FIFO. Inventories maintained by the Virginia Port Authority (nonmajor component unit) are reported using the moving average unit cost methodology. Inventories at the gift shop run by the Library of Virginia Foundation are stated at net realizable value.

K. Prepaid Items

Prepaid assets for rent, insurance, and similar items are recognized when purchased and expensed when used.

L. Interfund Loans Receivable/Payable

Loans Receivable/Payable represents working capital advances from one fund to another (see Note 9).

M. Other Assets

Other Assets include those balances of a miscellaneous nature that are not specifically classified elsewhere (see Note 10).

N. Capital Assets

Capital assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the governmental activities column of the Government-wide Statement of Net Assets. Capital assets of the other funds and component units are capitalized in the fund in which they are utilized. All depreciable capital assets are depreciated on the straight-line basis over their useful lives (see Note 12).

Capital assets are stated at historical cost or, in some instances, estimated historical cost. Donated capital assets from entities external to the reporting entity are stated at fair market value at the time of donation. Asset transfers or donations from within the reporting entity are recorded at the carrying value of the transferring entity as required by GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The primary government capitalizes all equipment that has a cost or value greater than $50,000 and expected useful life of greater than two years. The primary government capitalizes all land, water rights/easements, buildings, infrastructure, and software that have a cost or value greater than $100,000 and an expected useful life of greater than two years. Selected agencies, business-type entities, and component units utilize a capitalization limit lower or higher than the primary government's established thresholds for various reasons. Accordingly, reported capital assets may include some items that cost less than those thresholds. Infrastructure, including highways, bridges, and rights-of-way, is capitalized using the historical approach and includes any assets acquired prior to fiscal year 1980.

The primary government's capitalization policy regarding works of art/historical treasures is that capitalization is encouraged, but not required, for works of art/historical treasures that meet the following conditions:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain;
- The collection is protected, kept unencumbered, cared for and preserved; and,
- The collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for the collection.

The primary government capitalizes construction-in-progress when project expenditures, including construction of intangible assets, exceed $100,000. Interest incurred during construction is not capitalized in governmental funds. Interest incurred during the construction of proprietary fund assets is included in the capitalized value of the asset. Expenditures are classified as construction-in-progress if:

(1) They extend the asset life, improve productivity, or improve the quality of service; and,

(2) They fall into the planning, acquisition, construction, improvement, renovation, repair, replacement, relocation, or demolition phase of the asset life.

The estimated lives of capital assets are as follows:

	Years
Buildings	10–75
Equipment	2–50
Infrastructure	5–50
Software	5–35

Selected agencies, business-type entities, and component units may utilize estimated lives and policies that differ from the above for various reasons.

O. Accounts Payable

Accounts payable represent amounts, including salaries and wages, owed for goods and services received prior to year-end. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, accounts payable also includes payments for nonexchange transactions that met eligibility requirements prior to year-end (see Note 23).

P. Unearned and Deferred Revenue

Unearned revenue represents monies received or revenues accrued but not earned as of June 30, 2011. Deferred revenue represents revenues accrued but not available to finance expenditures of the current fiscal period. The majority of unearned revenue is reported by higher education institutions (component unit), where it is primarily composed of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts. In the General Fund (major), deferred revenue represents receivables that will be collected after August 31, 2011. In the special revenue funds, unearned revenue is composed primarily of prepaid toll revenue and contributions from localities and private sectors for highway construction projects recorded in the Commonwealth Transportation Fund (major). In the enterprise funds, a majority of unearned revenue represents on-line ticket monies received by the State Lottery (major) for which corresponding drawings have not been held and unearned revenues of Consolidated Laboratory (nonmajor). In the internal service funds, it represents primarily unearned premiums for the Risk Management Fund and prepaid rent and work orders for the Property Management Fund. Additionally, in the Virginia Information Technologies Agency internal service fund, unearned revenue relates to the transfer and purchase of assets for transition agencies and advanced customer receipts. Unearned revenues in the other component units consist primarily of the deferral of fees related to various activities.

Q. Deferred Taxes

Deferred taxes represent the deferral of income taxes withheld or received for the period January through June 2011. This amount is the estimate to be refunded (overpayments by taxpayers) reduced by the estimate to be received (underpayments from taxpayers) that will be finalized when income tax returns are filed in subsequent years. Individual income tax estimated overpayments total $863,558,714 and estimated underpayments total $400,160,207. This results in deferred taxes of $463,398,507.

Corporate income tax estimated overpayments total $50,754,343 and estimated underpayments total $63,528,586. When underpayments exceed overpayments, revenue on the fund statements is only recognized to the extent of estimated overpayments. Since underpayments exceed overpayments for corporate income taxes, the deferred tax amount is zero for the fiscal year.

R. Obligations Under Securities Lending Program

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, liabilities resulting from these transactions have been recorded as obligations under securities lending transactions.

S. Other Liabilities

Other liabilities represent amounts owed for various governmental and proprietary activities. Some of these amounts will be paid shortly after fiscal year-end (see Note 24).

T. Claims Payable

Claims payable, reported in the proprietary funds of the primary government, represent both health and liability insurance claims payable at June 30, 2011. This includes both actual claims submitted, as well as actuarially determined claims incurred but not reported. Claims relating to the primary government's liability insurance programs are reported in the Risk Management – internal service fund and the Risk Management – nonmajor enterprise fund. Also, health insurance claims are reported in the Health Care – internal service fund and the Local Choice Health Care – nonmajor enterprise fund (see Notes 22.A. and 22.B.). Claims payable reported by the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University – major component unit) represents estimated malpractice, workers' compensation, and medical claims payable amounts. Accrued workers' compensation costs for the Virginia International Terminals (a discrete component unit of the Virginia Port Authority – nonmajor component unit) represent accrued costs for the Company's estimate of its continuing liability for injuries which occurred during periods of self-insurance.

U. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column. The governmental fund statements reflect the portion of long-term liabilities that will be paid from expendable resources that represent payments to employees for separations that occurred prior to June 30. The proprietary fund statements and discrete component unit statements reflect total long-term liabilities and distinguish between those portions payable within one year and those payable in future years (see Note 25).

Bond premiums and discounts, as well as significant issuance costs, are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund (nonmajor) when due. In these fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures (see Note 25).

V. Nonspendable Fund Balances

Nonspendable fund balances indicate that portion of fund balance that cannot be spent because it is either not in spendable form or is legally or contractually required to be maintained intact.

W. Restricted Fund Balances

Restricted fund balances are amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

X. Committed Fund Balances

Committed fund balances are amounts that have constraints placed on the use of resources that are imposed by the formal action of the government's highest level of decision-making authority. The highest level of decision authority for the Commonwealth is the General Assembly and the Governor.

Y. Assigned Fund Balances

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Z. Unassigned Fund Balances

Unassigned fund balance is the amount of fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

AA. Cash Management Improvement Act

Included in "Due to Other Governments" is the Commonwealth's Cash Management Improvement Act (CMIA) interest liability to the federal government, which is calculated in accordance with the interest calculation and exchange provisions of the Federal Cash Management Improvement Act of 1990. The Commonwealth's interest liability is subject to review and final confirmation by the Financial Management Service (FMS) of the U.S. Treasury. The payment is to be made on

March 31, 2012. Payment will be made from a sum sufficient appropriation authorized for this purpose by the Appropriation Act. The CMIA interest rate of exchange is based by law on the average of the bond equivalent rates of 13-week Treasury Bills auctioned during the annual reporting period as calculated by FMS.

BB. Investment Income

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investment income reported in the accompanying financial statements include changes in the fair value of investments and the amount reported may be negative. Additionally, the Commonwealth's policy is to record all unrealized gains or losses for the Treasurer's Portfolio in the General Fund.

CC. Intrafund Eliminations

Eliminations have been incorporated into the report to eliminate intrafund transactions within the related fund type. These eliminations prevent overstatement of financial activity.

DD. Interfund Activity

Generally, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions.

In the fund financial statements, transfers represent the movement of resources between funds. For example, transfers are recorded when a fund receives revenue and subsequently disburses the resources to another fund for expenditure.

2. RESTATEMENT OF BEGINNING BALANCES

The government-wide beginning balance restatements resulted from the following:

Governmental Activities

- Capital Asset balances were restated by $104.1 million regarding the understatement of capital assets due primarily to the Department of Conservation and Recreation not recording assets at the time of acquisition.

- The Internal Service Funds have been restated by $7.3 million to correct an overstatement resulting from billing disputes, deferred revenue adjustments and reduction of credits by the Virginia Information Technologies Agency.

- The Virginia Public Building Authority Capital Project Funds have been restated by $1.5 million due to property sales proceeds that were omitted from prior year financial statements.

Business-type Activities

- The Enterprise Funds have been restated by $5.9 million to correct an understatement related to:
  - Virginia College Savings Plan of $1.7 million related to capital assets and investment values; and
  - Wireless E-911 grants to localities that were incorrectly accrued prior to eligibility requirements being met.

Fund Statements

- The Commonwealth implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for the fiscal year ending June 30, 2011. As a result of this Statement, the Water Quality Improvement Fund (nonmajor special revenue), as well as portions of the Commonwealth Transportation (major special revenue), Health and Social Services (nonmajor special revenue) and Other nonmajor special revenue funds have been reclassified and are now reported as part of the General Fund. Accordingly, the governmental funds have been restated by $99.0 million due to this reclassification.

- The Nonmajor Governmental Funds have been restated for the following reasons:

  - Permanent Funds have been restated by $20.9 million to correct a prior year error regarding the reporting of the Prescription Monitoring Fund. This fund was previously reported as a Permanent Fund due to a legal interpretation that the principal was required to be maintained intact. An updated legal interpretation determined the principal may be spent. Accordingly, this fund is now being reported in the Health and Social Services Fund (nonmajor special revenue).

  - The Capital Projects Fund has been restated by $1.5 million as discussed above.

- The Enterprise Fund has been restated by $5.9 million as discussed above.

- The Internal Service Fund has been restated by $7.3 million as discussed above.

Beginning Balance Restatement

(Dollars in Thousands)

	Balance as of June 30, 2010	GASBS No. 54 Fund Balance Reporting	Correction of Prior Year Errors	Balance June 30, 2010 as restated
Government-wide Activities:				
Primary Government:				
Governmental Activities	$ 16,697,499	$ -	$ 98,323	$ 16,795,822
Business-type Activities	(122,364)	-	5,949	(116,415)
Total Primary Government	$ 16,575,135	$ -	$ 104,272	$ 16,679,407
Component Units	$ 19,045,859	$ -	$ -	$ 19,045,859
Fund Statements - Governmental Funds				
Major Governmental Funds:				
General	$ (674,292)	$ 99,489	$ -	$ (574,803)
Special Revenue Funds:				
Commonwealth Transportation	2,009,603	(525)	-	2,009,078
Federal Trust	42,557	-	-	42,557
Literary	151,445	-	-	151,445
Total Major Governmental Funds	1,529,313	98,964	-	1,628,277
Nonmajor Governmental Funds				
Special Revenue Funds:				
Health and Social Services Fund	133,740	(11,024)	20,903	143,619
Water Quality Improvement Fund	31,568	(31,568)	-	-
Other Special Revenue Fund	542,848	(56,372)	-	486,476
Total Special Revenue	708,156	(98,964)	20,903	630,095
Debt Service Funds:				
Primary Government	105,325	-	-	105,325
Virginia Public Building Authority	-	-	-	-
Total Debt Service	105,325	-	-	105,325
Capital Project Funds:				
Primary Government	75,300	-	-	75,300
Virginia Public Building Authority	130,433	-	1,510	131,943
Total Capital Projects	205,733	-	1,510	207,243
Permanent Funds:				
Commonwealth Health Research Fund	25,903	-	-	25,903
Prescription Monitoring Fund	20,903	-	(20,903)	-
Behavioral Health Endowment Funds	256	-	-	256
Total Permanent Funds	47,062	-	(20,903)	26,159
Total Nonmajor Governmental Funds	1,066,276	(98,964)	1,510	968,822
Total Governmental Funds	$ 2,595,589	$ -	$ 1,510	$ 2,597,099
Fund Statements - Proprietary Funds				
State Lottery	$ (5,713)	$ -	$ -	$ (5,713)
Virginia College Savings Plan	(209,333)	-	1,728	(207,605)
Unemployment Compensation	(36,336)	-	-	(36,336)
Nonmajor Enterprise	131,280	-	4,221	135,501
Total Proprietary Funds	$ (120,102)	$ -	$ 5,949	$ (114,153)
Internal Service	$ (200,261)	$ -	$ (7,343)	$ (207,604)

3. FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* became effective for the Commonwealth beginning with fiscal year 2011. The purpose of GASB Statement 54 is to improve the reporting of fund balance. This Statement also clarifies certain terms used in the definition of existing governmental fund types so that classifications are more easily understood and can be applied consistently between information reported in the government-wide financial statements and the governmental fund financial statements. The new governmental fund balance classifications introduced in GASB Statement 54 are: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance includes inventories, prepaid items, and the principal of a permanent fund. These funds are not available for expenditure in the current or following period.

Restricted fund balances include amounts that have constraints placed on the use of resources by the *Constitution of Virginia* or a party external to the Commonwealth.

Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the General Assembly and Governor. The distinction between restricted and committed fund balances is the source and strength of the constraints placed on them.

Assigned fund balances are those that the government intends to use for a specific purpose, but for which the use is not legislatively mandated. The following schedule includes committed and assigned amounts that share the same purpose and title. The distinction between these classifications results from whether there is a statutory restriction on certain amounts contained within the fund.

Unassigned funds are the residual classification for the General Fund. A negative amount indicates that restricted and committed amounts exceed the available modified accrual basis fund balance.

The governmental fund balance classifications and amounts at June 30, 2011, are shown in the following table.

Governmental Fund Balance Classifications

(Dollars in thousands)

	General Fund	Commonwealth Transportation	Federal Trust	Literary	Nonmajor Governmental	Total
Nonspendable						
Inventory	$ 45,444	$ 62,503	$ 13,541	$ -	$ 5,576	$ 127,064
Prepaid Items	67,584	9,537	1,953	-	18,103	97,177
Permanent Funds	-	-	-	-	28,763	28,763
Total Nonspendable	113,028	72,040	15,494	-	52,442	253,004
Restricted						
Agriculture and Forestry	-	-	-	-	1,009	1,009
Capital Projects/Construction/Capital Acquisition	-	-	-	-	145,524	145,524
Debt Service	-	-	-	-	67,825	67,825
Economic and Technological Development	-	-	-	-	1,076	1,076
Educational and Training Programs	-	-	-	-	6,818	6,818
Environmental Quality and Natural Resource Preservation	-	-	-	-	10,604	10,604
Gifts and Grants	-	98,450	12,137	-	1,943	112,530
Government Operations:						
Legislative Services	-	-	-	-	10	10
Administrative Services	-	-	-	-	191	191
Health and Public Safety	-	-	-	-	130,398	130,398
Literary Fund	-	-	-	119,618	-	119,618
Lottery Proceeds Fund	19,144	-	-	-	-	19,144
Revenue Stabilization Fund	432,049	-	-	-	-	432,049
Transportation Activities	-	39,638	-	-	-	39,638
Virginia Water Supply Assistance Grant Fund	13,343	-	-	-	-	13,343
Total Restricted	464,536	138,088	12,137	119,618	365,398	1,099,777
Committed						
Agriculture and Forestry	-	-	-	-	17,828	17,828
Amount Required for Mandatory Reappropriation	86,442	-	-	-	-	86,442
Amount Required for Reappropriation of 2011 Unexpended Balances for Capital Outlay	2,325	-	-	-	-	2,325
Base Realignment Commission	7,500	-	-	-	-	7,500
Capital Projects/Construction/Capital Acquisition	529	-	-	-	613	1,142
Central Capital Planning Fund	2,024	-	-	-	-	2,024
Communications Sales and Use Tax	7,344	-	-	-	-	7,344
Contract and Debt Administration	-	35,701	-	-	-	35,701
Economic and Technological Development	2,434	-	-	-	21,672	24,106
Educational and Training Programs	872	3,248	-	-	4,281	8,401
Environmental Quality and Natural Resource Preservation	1,236	-	-	-	90,000	91,236
Government Operations:						
Legislative Services	-	-	-	-	504	504
Administrative Services	218	-	-	-	31,044	31,262
Governor's Opportunity Fund	45,036	-	-	-	-	45,036
Health and Public Safety	6,473	1,913	-	-	176,013	184,399
Natural Disaster Sum Sufficient	17,320	-	-	-	-	17,320
Nonrecurring Expenditures	18,747	-	-	-	-	18,747
Regulatory Oversight	-	-	-	-	109,177	109,177
Supplemental Public Safety Funding	7,374	-	-	-	-	7,374
Transportation Activities	-	2,183,540	-	-	7,344	2,190,884
Transportation Trust Fund	67,241	-	-	-	-	67,241
Unemployment Compensation Trust Fund	8,900	-	-	-	-	8,900
Virginia Health Care Fund	18,771	-	-	-	-	18,771
Virginia Water Quality Improvement Fund	108,765	-	-	-	-	108,765
Total Committed	409,551	2,224,402	-	-	458,476	3,092,429
Assigned						
Educational and Training Programs	-	-	-	-	3,181	3,181
Environmental Quality and Natural Resource Preservation	-	-	-	-	903	903
Government Operations:						
Administrative Services	-	-	-	-	7	7
Health and Public Safety	-	-	-	-	6,125	6,125
Total Assigned	-	-	-	-	10,216	10,216
Unassigned	(1,045,892)	-	-	-	-	(1,045,892)
Total Fund Balance (Deficit)	$ (58,777)	$ 2,434,530	$ 27,631	$ 119,618	$ 886,532	$ 3,409,534

4. DEFICIT FUND BALANCES/NET ASSETS

The General Fund ended fiscal year 2011 with a deficit fund balance of $58.8 million on a modified accrual basis of accounting. This is due primarily to the effects of accrual items. These accruals generally result in decreases to fund balance and are similar in nature to previous years.

The State Lottery (major enterprise fund), the Department of Alcoholic Beverage Control (nonmajor enterprise fund), the Department of Environmental Quality's Title V, Air Pollution Permit Fund (nonmajor enterprise fund), and the Payroll Service Bureau (internal service fund) ended the year with deficit net assets of $7.9 million, $22.9 million, $1.3 million, and $477 thousand, respectively. This was solely attributable to the net pension obligation resulting from GASB Statement No. 27*, Accounting for Pensions by State and Local Governmental Employers* and the net other postemployment benefits (OPEB) obligation resulting from GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Since the Commonwealth is the employer, the agencies do not report this liability in their individually published financial statements.

The Unemployment Compensation Fund (major enterprise fund) ended the year with a deficit net assets balance of $23.7 million. The deficit was the result of benefits paid to claimants in accordance with the Virginia Unemployment Compensation Act exceeding employer contributions and reserve balances in the Unemployment Trust Fund.

The Virginia Information Technologies Agency (internal service fund) ended the year with a deficit net assets balance of $35.7 million. The deficit was a result of operating expenses exceeding revenues in previous years.

The Property Management Fund (internal service fund) ended the year with a deficit net assets balance of $10.5 million. This deficit was the result of the purchase of a leasehold interest in a state-owned building in fiscal year 2006. Also, the Property Management Fund incurred additional capital lease liabilities due to transfers of leases from other state agencies in fiscal year 2009.

The Risk Management Fund (internal service fund) ended the year with a deficit net assets balance of $397.7 million. The deficit was the result of the Worker's Compensation Program having estimated claims payable exceeding the available equity in the fund. Claims are paid on a pay-as-you-go basis. To the extent that claims exceed current resources, they will ultimately become a liability of the fund from which the claim originated.

The Virginia Public School Authority (major component unit) ended the year with a deficit net assets balance of $22.1 million. This deficit is the result of an accrued credit against future debt service payments on Local School Bonds due from the localities subsequent to June 30.

The Virginia Economic Development Partnership (nonmajor component unit) ended the year with a deficit net assets balance of $776 thousand. This deficit occurs because the partnership's Statement of Net Assets reflects $3.7 million in non-current liabilities related to compensated absences, net pension obligation, and net other postemployment benefit obligation. The Partnership is funded mainly by state appropriations, which show current funding only.

The Virginia College Building Authority (nonmajor component unit) ended the year with a deficit net assets balance of $2.0 billion. This deficit occurred because the Authority issued bonds for the 21st Century College and Equipment programs subject to future appropriations from the General Fund of the Commonwealth without any other security.

5. REVENUE STABILIZATION FUND

In accordance with Article X, Section 8 of the *Constitution of Virginia*, the amount estimated as required for deposit to the Revenue Stabilization Fund must be appropriated for that purpose by the General Assembly. During fiscal year 2011, no withdrawal or deposit other than interest earnings were required for the Revenue Stabilization Fund.

The *Constitution* requires a deposit based on growth in income and retail sales tax revenue and allows revenue growth from increases in tax rates or the repeal of exemptions to be excluded, in whole or part, from the deposit calculation for up to six years. During fiscal years 2005 through 2010, a dual computation was performed to identify potential deposits both including and excluding the effects of the tax rate structure changes. A dual computation is not required for fiscal year 2011. Under the provisions of Article X, Section 8 of the *Constitution of Virginia*, a deposit of $132.7 million is required during fiscal year 2013 based on fiscal year 2011 revenue collections.

Section 2.2-1829(b) of the *Code of Virginia* requires an additional deposit into the fund when specific criteria have been met. No such deposit is required since the specified criteria were not met for fiscal year 2011.

The Revenue Stabilization Fund has principal and interest on deposit of $299.3 million. This balance, along with the constitutionally required deposit of $132.7 million discussed above (totaling $432.0 million), are both restricted as a part of General Fund balance. Pursuant to the constitutional amendment of Article X, Section 8, effective January 1, 2011, the amount on deposit cannot exceed 15 percent of the Commonwealth's average annual tax revenues derived from taxes on income and retail sales for the preceding three fiscal years. This is an increase of the previous limit of 10 percent.

6. CASH, CASH EQUIVALENTS, AND INVESTMENTS

At June 30, 2011, the carrying amount of cash for the primary government was $3,296,851,009 and the bank balance was $204,920,638. The carrying amount of cash for component units was $1,596,450,992 and the bank balance was $685,630,645. Cash equivalents are investments with an original maturity of 90 days or less. Cash and cash equivalents for foundations (component units) totaled $324,020,074 as of year-end. A portion of this amount and some balances during the year exceeded Federal Deposit Insurance Corporation (FDIC) insurance coverage. Foundation investments are disclosed in the Interest Rate Risk section of this note.

For purposes of this note, primary government includes governmental, business-type activities, and fiduciary funds. The deposits of the primary government and the component units, excluding foundations (component units), are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.2-4400 of the *Code of Virginia*. The act requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. The required collateral percentage is determined by the Treasury Board and ranges from 50 percent to 100 percent for financial institutions choosing the pooled method of collateralization, and from 105 percent to 130 percent for financial institutions choosing the dedicated method of collateralization. As stated in Note 1.BB., unrealized gains or losses for the Treasurer's Portfolio are recorded in the General Fund.

Certain deposits are held by trustees in accordance with the Trust Subsidiary Act, Section 6.1-32.8 et seq. of the *Code of Virginia*. The act requires that cash held by trustees while awaiting investment or distribution is not to be used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the fair value of the trust funds held on deposit in excess of amounts insured by the FDIC.

The Commonwealth is authorized, in accordance with the guidelines set forth in Section 2.2-4500 et seq. of the *Code of Virginia*, to invest public funds in the following:

- U.S. Treasury and agency securities
- Corporate debt securities
- Asset–backed securities
- Mortgage–backed securities
- Municipal securities
- AAA rated obligations of foreign governments
- Bankers' acceptances and bank notes
- Negotiable certificates of deposit
- Repurchase agreements
- Money market funds

Permitted investments include agency mortgage-backed securities, corporate or private label mortgage-backed securities, and asset-backed securities which by definition usually expose the investor to prepayment risk.

Prepayment risk, or the prepayment option granted the borrower, can create uncertainty concerning cash flows, can affect the price of the security causing negative convexity, and can expose the investor to reinvestment risk. Similarly, many agency and corporate securities are callable after some predetermined date at a predetermined price. The call options in regular agency debentures and some corporate securities can be open ended and may significantly impact cash flows, security pricing, and reinvestment risks of these securities.

Public funds held by the Commonwealth, public officers, municipal corporations, political subdivisions, and any other public body of the Commonwealth shall be held in trust for the citizens of the Commonwealth. Any investment of such funds pursuant to the provisions of this chapter shall be made solely in the interest of the citizens of the Commonwealth and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of higher education (component units) are established by the institutions' governing boards.

The Board of Trustees of the Virginia Retirement System (the System) (part of primary government) has full power to invest and reinvest the trust funds in accordance with Section 51.1–124.30 of the *Code of Virginia*, as amended. This section requires the Board to discharge its duties solely in the interest of the beneficiaries and to invest the assets with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board must also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. The System does not have investment policies that place specific restrictions on investments related to custodial risk, interest rate risk, credit risk, or foreign currency risk. The System investment portfolio is intended to be managed through diversification and prudent judgment, rather than through specific policy restrictions.

The information presented for the external investment pool was obtained from audited financial statements. Copies of the Local Government Investment Pool (LGIP) report may be obtained by writing the Department of the Treasury, Post Office Box 1879, Richmond, Virginia 23218. Participation in this pool is voluntary.

Custodial Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commonwealth may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Policies related to credit risk pertaining to the Commonwealth's securities lending program are found in the securities lending section of this note.

As of June 30, 2011, the primary government had $943,599,929 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. The System had $941,837,301 of this amount that consisted of various types of debt and equity securities that were held by counterparties' trust departments or agents, but not in the System's name. Common and preferred stocks represented $855,172,332 of the total. The remainder was for various types of debt and equity securities. The component units had $21,956,073 of cash equivalents and investments that were exposed to custodial risk as uninsured and uncollateralized. Mutual and money market funds represented $19,152,343 and common and preferred stocks represented $1,690,418 of the total and the remainder was for various types of debt and equity securities.

As of June 30, 2011, the investments of the Pension and Other Employee Benefit Trust Funds were approximately 79 percent of the primary government investments, and 99 percent of those that were exposed to custodial risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commonwealth has elected the Segmented Time Distribution method of disclosure.

The State Treasurer's guidelines limit the following maximum durations for any single security of the following investment types:

Security Type	Maximum Duration
Corporate Security	15 years
Asset-Backed Securities	5 years
Sovereign Government Obligations (excluding U.S.)	5 years
Negotiable Certificates of Deposit and Negotiable Bank Notes	5 years

The State Treasurer's guidelines further describe target durations for the overall general account portfolio of 1.7 years.

The System manages the risk within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies, to a much greater degree, the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the System's fixed income portfolios are managed in accordance with the System's investment guidelines, most of which are specific as to the degree of interest rate risk that can be taken.

At June 30, 2011, the Commonwealth had the following investments and maturities:

Primary Government Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 2,067,331	$ 431,892	$ 1,166,042	$ 275,479	$ 193,918
Corporate Notes	8,435,722	4,636,388	1,852,026	1,444,833	502,475
Corporate Bonds	5,001,928	1,983,476	1,912,985	870,488	234,979
Corporate Mortgage-Backed Securities	74,428	-	417	686	73,325
Commercial Paper	2,613,505	2,613,505	-	-	-
Negotiable Certificates of Deposit	2,172,248	2,169,053	3,195	-	-
Repurchase Agreements	2,992,604	2,992,604	-	-	-
Municipal Securities	172,616	28,909	25,861	29,159	88,687
Asset-Backed Securities	483,412	204,760	148,325	22,451	107,876
Agency Mortgage-Backed Securities	2,776,773	201,872	1,765,582	649,874	159,445
Agency Unsecured Bonds and Notes	1,246,624	669,709	509,166	61,815	5,934
Mutual and Money Market Funds (Includes SNAP)	1,247,812	1,247,640	172	-	-
Guaranteed Investment Contracts	279,603	73,346	206,257	-	-
Fixed Income and Commingled Funds	2,277,733	1,506,023	497,871	273,839	-
Deposits with the U.S. Treasury for Unemployment Compensation	58,742	58,742	-	-	-
Investments held by broker-dealers under securities loans					
U. S. Government and Agency Securities	1,620,653	102	1,015,548	378,543	226,460
Corporate Notes	210,506	8,604	91,938	88,006	21,958
Corporate Bonds	95,082	3,581	34,590	45,852	11,059
Agency Unsecured Bonds and Notes	47,432	-	29,496	11,906	6,030
Asset Backed Securities	8,287	8,287	-	-	-
Other Bonds	3,516	-	3,516	-	-
Other	750,636	245,972	384,341	54,085	66,238
Total	$ 34,637,193	$ 19,084,465	$ 9,647,328	$ 4,207,016	$ 1,698,384

Component Unit Investments

(Dollars in Thousands)

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Debt Securities					
U. S. Treasury and Agency Securities	$ 1,014,461	$ 528,476	$ 168,447	$ 32,555	$ 284,983
Corporate Notes	93,917	21,011	65,291	6,285	1,330
Corporate Bonds	299,959	53,669	162,140	77,464	6,686
Corporate Mortgage-Backed Securities	13,840	-	-	478	13,362
Commercial Paper	336,284	336,284	-	-	-
Negotiable Certificates of Deposit	66,092	64,392	1,700	-	-
Repurchase Agreements	32,836	32,836	-	-	-
Municipal Securities	3,490,985	32,112	113,009	120,142	3,225,722
Asset-Backed Securities	190,592	13,020	106,282	13,864	57,426
Agency Unsecured Bonds and Notes	63,805	53,178	10,627	-	-
Agency Mortgage-Backed Securities	164,593	7,006	21,882	10,391	125,314
Mutual and Money Market Funds (Includes SNAP)	1,418,341	1,323,679	14,111	62,493	18,058
Guaranteed Investment Contracts	97,057	1,855	39	485	94,678
Fixed Income and Commingled Funds	9,047	9,047	-	-	-
Other	499,506	494,199	5,142	66	99
Total	$ 7,791,315	$ 2,970,764	$ 668,670	$ 324,223	$ 3,827,658

Foundation Investments

(Dollars in Thousands)

Investment Type	Fair Value
U.S. Treasury and Agency Securities	$ 742,118
Common & Preferred Stocks	1,127,139
Corporate Notes	4,602
Corporate Bonds	141,721
Commercial Paper	2,994
Negotiable Certificates of Deposit	3,293
Municipal Securities	4,052
Repurchase Agreements	43,964
Asset Backed Securities	6,527
Agency Mortgage Backed	21,452
Mutual Funds	416,195
Real Estate	351,890
Index Funds	61,913
Fixed Income and Commingled Funds	779
Equity Index and Pooled Funds	447
Others	5,692,236
Total	$ 8,621,322

Note: Foundations represent FASB reporting entities defined in Note 1.B. A portion of these amounts are reported at cost rather than fair value because fair value was not available or readily determinable.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Treasurer of the Commonwealth places emphasis on securities of high credit quality and marketability. At the time of purchase, the following limitations are in place:

- Bankers acceptances: P-1, Moody's and A-1, S&P
- Negotiable CDs and bank notes:
  - maturities of one year or less: P-1, Moody's and A-1, S&P
  - maturities over one year: Aa, Moody's and AA, S&P
- Commercial paper: P-1, Moody's and A-1, S&P
- Corporate Notes and Bonds: A3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P. However, each external investment manager may invest up to ten percent of their portfolio in Baa2/BBB rated bonds which, at a minimum, must be rated Baa2/BBB by two nationally recognized rating agencies, one of which must be either Moody's or S&P.
- Municipal Bonds: A3/A- or equivalent by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Asset-backed securities: AAA by two nationally recognized rating agencies, one of which must be Moody's or S&P
- Dollar denominated obligations of sovereign governments: Aaa, Moody's and AAA, S&P
- Commercial Mortgage-Backed Securities (CMBS) and Collateralized Mortgage Obligations (CMOs): AAA by two nationally recognized rating agencies, one of which must be Moody's or S&P

The following tables present the credit ratings for the majority of the investments of the primary government and component units as of June 30, 2011. The ratings presented below are using Standard & Poor's (S&P) and Moody's Investors Service (Moody's) rating scales. Within the primary government, the investments presented in the table represented 75.2 percent of the total debt securities, 8.4 percent of which were invested in corporate investments rated Aaa by Moody's. Within the component units, the investments presented in the table represented 86.6 percent of the total debt securities, 40.7 percent of which were invested in unrated Municipal Securities.

Credit risk for derivative instruments held by the Commonwealth results from counterparty risk assumed by the Commonwealth. This is essentially the risk that the borrower will be unable to meet its obligation. Information regarding the Commonwealth's credit risk related to derivatives is found in Note 13, "Derivatives."

Policies related to credit risk pertaining to the Commonwealth's securities lending program are found in the Securities Lending section of this note.

Credit Rating - Primary Government

(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Corporate Bonds	$ 3,703,894	Moody's	NR	10.69%
Corporate Notes	2,896,277	Moody's	Aaa	8.36%
Commercial Paper	2,238,651	Moody's	P-1	6.46%
U. S. Treasury and Agency Securities	2,067,331	N/A	N/A	5.97%
Agency Mortgage-Backed Securities	1,918,350	N/A	N/A	5.54%
Repurchase Agreements	1,655,000	Standard & Poor's	AAA	4.78%
Investments held by broker-dealers under securities loans (U.S. Government and Agency Securities)	1,619,899	N/A	N/A	4.68%
Negotiable Certificates of Deposit	1,418,397	Moody's	P-1	4.10%
Fixed Income and Commingled Funds	1,270,917	Moody's	NR	3.67%
Agency Unsecured Bonds and Notes	1,053,501	Standard & Poor's	AAA	3.04%
Mutual and Money Market Funds (Includes SNAP)	1,018,457	Standard & Poor's	AAA	2.94%
Negotiable Certificates of Deposit	672,094	Standard & Poor's	A-1	1.94%
Agency Mortgage-Backed Securities	655,460	Moody's	NR	1.89%
Corporate Notes	564,063	Moody's	Baa1	1.63%
Corporate Notes	556,293	Moody's	Aa3	1.61%
Corporate Notes	522,365	Moody's	AA2	1.51%
Corporate Notes	518,255	Moody's	Baa2	1.50%
Corporate Notes	446,129	Moody's	A2	1.29%
Repurchase Agreements	430,919	Standard & Poor's	A-1	1.24%
Repurchase Agreements	410,254	Moody's	P-1	1.18%
Corporate Notes	402,469	Moody's	B1	1.16%

Credit Rating - Component Units

(Dollars in Thousands)

Investment	Amount	Rating Agency	Rating	Percent of Portfolio
Municipal Securities	$ 3,167,715	N/A	N/A	40.66%
U.S. Treasury and Agency Securities	968,284	N/A	N/A	12.43%
Mutual and Money Market Funds (Include SNAP)	729,547	Standard & Poor's	AAA	9.36%
Other Debt Securities	494,200	Moody's	Aaa	6.34%
Mutual and Money Market Funds (Include SNAP)	481,858	Moody's	P-1	6.18%
Mutual and Money Market Funds (Include SNAP)	187,238	N/A	N/A	2.40%
Commercial Paper	186,873	Moody's	P-1	2.40%
Agency Mortgage-Backed Securities	125,786	Standard & Poor's	AAA	1.61%
Commercial Paper	111,775	Standard & Poor's	A-1+	1.43%
Municipal Securities	84,712	Standard & Poor's	AAA	1.09%
Asset Backed Securities	77,030	Moody's	Aaa	0.99%
Guaranteed Investment Contracts	67,330	Moody's	Aa3	0.86%
Municipal Securities	65,943	Standard & Poor's	AA	0.85%

Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Commonwealth holds no investment in the securities of a single issuer that is more than five percent of the total market value of its investments. In addition, the Treasury and the System have individual investment policies limiting the amounts that may be invested in any single issuer.

It is the State Treasurer's policy that each portfolio will be diversified with no more than four percent of the value of the fund invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit. Certain portfolios are limited to amounts less than four percent of the value of the fund invested in the securities of any single issuer.

The System investment guidelines for each specific portfolio also limit investments in any corporate entity to no more than five percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents five percent or more of plan net assets available for benefits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. All investments exposed to foreign currency risk were part of the System portfolio at June 30, 2011.

The System's currency risk exposure, or exchange rate risk, primarily exists in the international and global equity investment holdings. From time to time, the System's external managers may hedge their portfolios' foreign currency exposures with currency forward contracts. This will depend upon their views about a specific foreign currency relative to the U.S. dollar. The System's exposure to foreign currency risk is highlighted in the following table.

Currency Exposures by Asset Class

(Dollars in Thousands)

Currency	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Real Estate	International Funds	Total
U.S. Dollar	$ -	$ -	$ -	$ -	$ -	$ 1,085,777	$ 1,085,777
British Pound Sterling	4,855	804,618	168,095	2,318	9,738	-	989,624
Euro Currency Unit	32,295	988,366	(125,555)	10,192	-	-	905,298
Hong Kong Dollar	4,694	680,743	-	-	-	-	685,437
Japanese Yen	13,699	651,313	(54,916)	-	2,955	-	613,051
South Korean Won	5,457	580,800	1,520	-	-	-	587,777
Canadian Dollar	2,168	343,188	4,926	-	-	-	350,282
Brazil Real	8,005	279,069	36,959	-	-	-	324,033
Swedish Krona	1,074	167,644	154,270	907	-	-	323,895
New Taiwan Dollar	7,864	318,978	(4,189)	-	-	-	322,653
Indian Rupee	3,198	294,523	1,010	-	-	-	298,731
South African Comm Rand	2,514	151,314	22,933	-	-	-	176,761
Norwegian Krone	781	96,639	69,859	-	-	-	167,279
Mexican New Peso	2,838	65,834	35,626	-	-	-	104,298
New Turkish Lira	1,099	91,621	10,890	-	-	-	103,610
Australian Dollar	2,352	278,608	(179,936)	-	-	-	101,024
Thailand Baht	252	73,023	16,726	-	-	-	90,001
Singapore Dollar	1,255	74,885	7,583	-	-	-	83,723
Malaysian Ringgit	1,369	48,379	30,590	-	-	-	80,338
Indonesian Rupian	848	46,595	25,763	-	-	-	73,206
New Zealand Dollar	405	77,930	(9,345)	-	-	-	68,990
Polish Zloty	374	46,580	19,922	-	-	-	66,876
Russian Ruble (New)	1	15,092	25,314	-	-	-	40,407
Philippines Peso	1,276	14,108	10,112	-	-	-	25,496
Danish Krone	1,619	17,009	-	-	-	-	18,628
Israeli Shekel	389	16,601	-	-	-	-	16,990
Egyptian Pound	264	10,318	-	-	-	-	10,582
Columbian Peso	-	-	9,876	-	-	-	9,876
Uruguayan Peso	-	-	8,274	-	-	-	8,274
Kazakhstan Tenge	-	-	7,950	-	-	-	7,950
Turkish Lira	7,189	-	-	-	-	-	7,189
UAE Dirham	-	5,137	-	-	-	-	5,137
Hungarian Forint	81	207	3,954	-	-	-	4,242
Chinese Yuan Renminbi	-	620	2,498	-	-	-	3,118
Czech Koruna	110	6,293	(4,271)	-	-	-	2,132
Omani Rial	-	2,069	-	-	-	-	2,069
Peruvian Nuevo Sol	-	-	1,503	-	-	-	1,503
Moroccan Dirham	43	1,362	-	-	-	-	1,405
Argentina Peso	537	-	-	-	-	-	537
Chilean Peso	21	461	(3,863)	-	-	-	(3,381)
Swiss Franc	9,547	299,409	(367,298)	-	-	-	(58,342)
Total	$ 118,473	$ 6,549,336	$ (73,220)	$ 13,417	$ 12,693	$ 1,085,777	$ 7,706,476

Securities Lending

The State Treasury's securities lending program is managed by Deutsche Bank AG, New York (Deutsche Bank), under a contract dated March 31, 2006 and Novation Agreement dated November 23, 2009. The enabling legislation for the securities lending program is Section 2.2-4506 of Chapter 45 of the *Code of Virginia*, as amended. No violations of legal or contractual provisions were noted during the year. The general account participated in a securities lending program for the entire year.

All securities lending loans are on an open-ended or one-day basis and may be terminated by Treasury with a 24-hour notice or are term loans with the right of substitution. While all securities may be recalled on a daily basis, securities are often on loan for much longer periods. Generally cash reinvestments security maturities do not match the maturities of loans. Per the contract with Deutsche Bank, all cash collateral reinvestment securities attributable to loans made on the Commonwealth's behalf shall be maintained by Deutsche Bank, and Treasury cannot pledge or sell such collateral absent a default.

The State Treasury's contract with Deutsche Bank provides for loss indemnification against insolvency default with respect to lending transactions and in the case of reverse transactions as defined in the applicable Agency Securities Lending and Repurchase Agreement. Additionally, Deutsche Bank AG is liable for any losses experienced from reinvestment of cash collateral in investments not authorized by the provisions of the investment guidelines for the Commonwealth of Virginia agreed upon by both parties and made a part of the Agency Securities Lending and Repurchase Agreement. There were no realized losses resulting from default or recoveries of prior period losses during this reporting period.

When securities are loaned, the collateral received is at least 100.0 percent of fair value of the securities loaned and must be maintained at 100.0 percent or greater. There are no stated restrictions on the amount of securities that may be loaned, but the basic composition of the general account portfolio effectively restricts the maximum percentage of the portfolio that may be loaned. During the past fiscal year, approximately 27.0 percent of the general account securities were on loan.

During the past year, a combination of U.S. Treasury, agency, agency mortgage and corporate securities have been loaned, with the majority of the loaned securities being U.S. Treasury and agency securities. At June 30, 2011, all collateral received was in the form of cash.

Securities loaned for the Treasurer's cash collateral reinvestment pool, which consisted of 82.7 percent general account funds and 17.3 percent State Lottery funds as of June 30, 2011, had a carrying value of $1,140,784,966 and a fair value of $1,254,959,973. The fair value of the collateral received was $1,272,312,971 providing for coverage of 101.4 percent. As a result, the State Treasury assumes no credit risk on securities loaned. The carrying value of the cash collateral reinvestment pool received was $1,272,444,588 and the fair value of the investments purchased with the cash collateral was $1,268,972,929. As of June 30, 2011, the Treasurer's cash collateral reinvestment pool had an unrealized loss of $3,340,042, and is recorded in the General Fund as stated in Note 1.BB. This amount is included in the total Treasurer's Portfolio discussed earlier in this note.

Current cash collateral reinvestment guidelines allow for a maximum maturity of up to nine months on floating rate investments and up to six months on fixed rate investments. Term repurchase agreements are limited to 60 days. At June 30, 2011, the cash collateral reinvestment portfolio had a weighted average maturity of 10 days using the next interest reset date as the maturity date for floating rate securities. Using the expected maturity date, the weighted average maturity was 109 days and using the final maturity date, which assumes no pay downs on any asset-backed or mortgage-backed securities, the weighted average maturity was 2.6 years.

Treasury's current cash reinvestment guidelines allow for investment in government securities, bank obligations, commercial paper, corporate bonds and notes, indemnified repurchase agreements, and U.S. government money market funds. Each type of reinvestment security has to meet predetermined minimum credit criteria. At June 30, 2011, the majority of cash collateral reinvestments were in indemnified repurchase agreements, asset-backed (including mortgage-backed) floating rate securities, and bank certificates of deposit.

At June 30, 2011, $26.0 million or 2.0 percent of the total par value of the cash collateral reinvestment portfolio was out of compliance with Treasury's current cash collateral reinvestment guidelines due to various security ratings downgrades during the past few years and adoption of more restrictive reinvestment guidelines. Included in the $26.0 million of out of compliance securities is a $12.8 million asset-backed security that Treasury has reason to believe is other than temporarily impaired. Treasury has written off $3.8 million or $0.30 per dollar of par value of this security as of June 30, 2011. This security is not in default and is making principal and interest payments. Approximately 82.7 percent of these out of compliance securities are part of the general account portion of the securities lending program and the other 17.3 percent is the State Lottery's portion of the securities lending program. The Commonwealth regularly evaluates these positions to determine the most beneficial course of action going forward.

Under authorization of the Board, the Virginia Retirement System (the System) lends its fixed income and equity securities to various broker-dealers on a temporary basis. This program is administered through an agreement with the System's custodial agent bank. All security loan agreements are collateralized by cash, securities, or an irrevocable letter of credit issued by a major bank, and have a market value equal to at least

102 percent of the market value for domestic securities and 105 percent for international securities. Securities received as collateral cannot be pledged or sold by the System unless the borrower defaults. Contracts require the lending agents to indemnify the System if the borrowers fail to return the securities lent. All securities loans can be terminated on demand by either the System or the borrowers. The majority of loans are open loans, meaning the rebate is set daily. This results in a maturity of one or two days on average, although securities are often on loan for longer periods. The maturity of loans generally does not match the maturity of collateral investments, which averages 33 days. At year-end, the System has no credit risk exposure to borrowers because the amounts it owes the borrowers exceeded the amounts the borrowers owe the System. All securities are marked to market daily and carried at market value. The market value of securities on loan at June 30, 2011 was $4,543,731,000. The June 30, 2011 balance was composed of U.S. Government and agency securities of $1,667,331,000, corporate and other bonds of $316,725,000 and common and preferred stocks of $2,559,675,000. The value of collateral (cash and non-cash) at June 30, 2011, was $4,717,646,000.

At June 30, 2011, the invested cash collateral had a market value of $3,662,195,000 and was composed of commercial paper of $1,069,811,000, time deposits of $519,135,000, certificates of deposit of $595,687,000, floating rate notes of $1,103,811,000, asset backed securities of $7,319,000, and repurchase agreements of $366,432,000. As of June 30, 2011, the System's cash collateral reinvestment pool had an unrealized loss of $22.0 million.

Securities on loan are included with investments on the Statement of Plan Net Assets. The invested cash collateral is included in the Statement of Plan Net Assets as an asset and corresponding liability.

A foundation of the University of Virginia (major component unit) reports an obligation under securities lending of approximately $7.9 million. Since this foundation follows FASB rather than GASB reporting requirements, disclosures can be found in the individually published financial statements of the foundation.

7. RECEIVABLES

The following schedule (dollars in thousands) details the accounts, loans, interest, taxes, prepaid tuition contributions, security transactions, and other receivables presented in the major funds, aggregated nonmajor funds by type, internal service funds, fiduciary funds, major component units, and aggregated nonmajor component units, as of June 30, 2011:

	Accounts Receivable	Loans / Mortgage Receivable	Interest Receivable	Taxes Receivable	Prepaid Tuition Contributions Receivable
Primary Government:					
General	$ 843,769	$ 171	$ 418,959	$ 1,612,464	$ -
Major Special Revenue Funds:					
Commonwealth Transportation	167,904	37,770	-	129,147	-
Federal Trust	688,276	228	-	-	-
Literary	201,490	262,348	15,704	-	-
Nonmajor Governmental Funds	119,272	-	8,991	6,966	-
Major Enterprise Funds:					
State Lottery	45,799	-	-	-	-
Virginia College Savings Plan	8,088	-	2,557	-	257,361
Unemployment Compensation	175,896	-	-	-	-
Nonmajor Enterprise Funds	35,031	-	-	-	-
Internal Service Funds	12,947	-	-	-	-
Private Purpose Trust Funds	-	5	1,671	-	-
Pension and Other Employee Benefit Trust (1)	109,957	-	203,504	-	-
Investment Trust Fund	-	-	271	-	-
Agency Funds	308	-	-	116,681	-
Total Primary Government (2)	$ 2,408,737	$ 300,522	$ 651,657	$ 1,865,258	$ 257,361
Discrete Component Units:					
Virginia Housing Development Authority (3)	$ -	$ 8,053,106	$ 39,156	$ -	$ -
Virginia Public School Authority	-	-	67,040	-	-
University of Virginia	517,043	49,867	1,116	-	-
Virginia Polytechnic Institute and State University	69,579	32,877	1,504	-	-
Virginia Commonwealth University	372,176	27,997	929	-	-
Nonmajor Component Units	173,994	3,440,011	57,555	5,898	-
Total Component Units	$ 1,132,792	$ 11,603,858	$ 167,300	$ 5,898	$ -

Note (1): Other Receivables of the Pension and Other Employee Benefit Trust Fund of $115,041 (dollars in thousands) are made up $107,213 (dollars in thousands) in pending investment transactions, including the offsetting entries for $104,190 (dollars in thousands) in the investment overlay and swaps, $1,534 (dollars in thousands) in securities lending, and $1,489 (dollars in thousands) in other investment receivable; as well as $7,828 (dollars in thousands) in other receivables related to benefit plans.

Note (2): Fiduciary net receivables in the amount of $1,913,778 (dollars in thousands) are not included in the Government-wide Statement of Net Assets.

Note (3): VHDA reports $7,825,530 (dollars in thousands) as Restricted Loans Receivable, $37,660 (dollars in thousands) as Restricted Interest Receivable, and $5,975 (dollars in thousands) as Restricted Other Receivables.

Security Transactions	Other Receivables	Allowance for Doubtful Accounts	Net Accounts Receivable	Amounts to be Collected Greater than One Year
$ -	$ -	$ (1,766,905)	$ 1,108,458	$ 8,455
-	-	(23,011)	311,810	37,827
-	-	(18,057)	670,447	-
-	-	(193,987)	285,555	238,859
-	18	(61,659)	73,588	978
-	-	-	45,799	-
-	-	-	268,006	197,908
-	3,773	(42,200)	137,469	-
-	-	(1,091)	33,940	-
-	-	(419)	12,528	-
-	-	-	1,676	-
1,425,051	115,041	-	1,853,553	-
-	-	-	271	-
-	-	(58,711)	58,278	144
$ 1,425,051	$ 118,832	$ (2,166,040)	$ 4,861,378	$ 484,171
$ -	$ 13,637	$ (151,809)	$ 7,954,090	$ 7,734,096
-	-	-	67,040	67,040
-	48,357	(318,731)	297,652	48,682
-	23	(3,361)	100,622	38,435
-	50,884	(176,649)	275,337	56,176
-	138,035	(14,901)	3,800,592	3,317,807
$ -	$ 250,936	$ (665,451)	$ 12,495,333	$ 11,262,236

8. CONTRIBUTIONS RECEIVABLE, NET

The following schedule details the contributions receivable for foundations[1] included with the major component units, and aggregated nonmajor component units, as of June 30, 2011:

(Dollars in Thousands)

	Due in Less Than One Year	Due Between One and Five Years	Due in More Than Five Years	Subtotal	Present Value Discount (2)	Allowance for Doubtful Accounts	Contributions Receivable, Net
Discrete Component Units:							
University of Virginia	$ 43,989	$ 40,839	$ 19,905	$ 104,733	$ (3,596)	$ (12,788)	$ 88,349
Virginia Polytechnic Institute & State University	27,283	39,965	16,381	83,629	(1,411)	(1,304)	80,914
Virginia Commonwealth University	10,527	28,083	-	38,610	(1,729)	(1,656)	35,225
Nonmajor Component Units	41,199	56,940	34,044	132,183	(10,903)	(4,704)	116,576
Total Component Units	$ 122,998	$ 165,827	$ 70,330	$ 359,155	$ (17,639)	$ (20,452)	$ 321,064

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.
Note (2): The discount rate used to determine present value ranges from 0.21 percent to 8.00 percent.

9. INTERFUND AND INTER-ENTITY ASSETS/LIABILITIES

Due from/to Other Funds

Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered. Due to Other Funds are amounts owed by one fund to another fund for goods purchased or services obtained.

The following line items are included in the category "Due from Other Funds":

- Due from Other Funds
- Due from Internal Parties (Governmental Funds and Business-type Activities)
- Due from External Parties (Fiduciary Funds)

The following line items are included in the category "Due to Other Funds":

- Due to Other Funds
- Due to Internal Parties (Governmental Funds and Business-type Activities)
- Due to External Parties (Fiduciary Funds)

The following schedule shows the Due from/to Other Funds as of June 30, 2011.

Schedule of Due from/to Other Funds

June 30, 2011

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 22,561	Major Special Revenue Funds:	
		Commonwealth Transportation	$ 340
		Federal Trust	910
		Nonmajor Governmental Funds	1,370
		Major Enterprise Funds:	
		State Lottery	9,069
		Virginia College Savings Plan	21
		Nonmajor Enterprise Funds	9,754
		Internal Service Funds	1,097
Major Special Revenue Funds:			
Commonwealth Transportation	25,954	General Fund	25,954
Federal Trust	2,431	Nonmajor Governmental Funds	23
		Major Enterprise Funds:	
		Unemployment Compensation	2,394
		Internal Service Funds	14
Nonmajor Governmental Funds	8,032	Major Special Revenue Funds:	
		Commonwealth Transportation	5,115
		Federal Trust	1,761
		Nonmajor Governmental Funds	200
		Major Enterprise Funds:	
		Unemployment Compensation	321
		Nonmajor Enterprise Funds	635
Major Enterprise Funds:			
Unemployment Compensation	820	General Fund	404
		Major Special Revenue Funds:	
		Commonwealth Transportation	127
		Federal Trust	153
		Nonmajor Governmental Funds	97
		Major Enterprise Funds:	
		State Lottery	5
		Nonmajor Enterprise Funds	28
		Internal Service Funds	6
Nonmajor Enterprise Funds	860	General Fund	89
		Major Special Revenue Funds:	
		Commonwealth Transportation	318
		Federal Trust	411
		Nonmajor Governmental Funds	16
		Nonmajor Enterprise Funds	1
		Internal Service Funds	25
Internal Service Funds	40,912	General Fund	19,949
		Major Special Revenue Funds:	
		Commonwealth Transportation	9,327
		Federal Trust	4,244
		Nonmajor Governmental Funds	4,807
		Major Enterprise Funds:	
		State Lottery	146
		Virginia College Savings Plan	31
		Nonmajor Enterprise Funds	2,018
		Internal Service Funds	390
Pension and Other Employee Benefit Trust	10,770	Pension and Other Employee Benefit Trust	10,731
		Private Purpose Trust	39
Total Primary Government	$ 112,340	Total Primary Government	$ 112,340

Schedule of Due from/to Internal/External Parties
June 30, 2011

(Dollars in Thousands)

Due From	Amount	Due To	Amount
Primary Government		**Primary Government**	
General Fund	$ 87	Investment Trust	$ 1
		Pension and Other Employee Benefit Trust	78
		Private Purpose Trust	8
Nonmajor Governmental Funds	1,016	Agency	1,016
Internal Service Funds	129	Pension and Other Employee Benefit Trust	111
		Private Purpose Trust	18
Pension and Other Employee Benefit Trust	54,360	General Fund	33,009
		Major Special Revenue Funds:	
		Commonwealth Transportation	7,515
		Federal Trust	4,160
		Nonmajor Governmental Funds	7,550
		Major Enterprise Funds:	
		State Lottery	273
		Virginia College Savings Plan	99
		Nonmajor Enterprise Funds	1,041
		Internal Service Funds	713
Total Primary Government	$ 55,592	Total Primary Government	$ 55,592

Interfund Receivables/Payables

Interfund Receivables/Payables are loans made by one fund to another.

The following schedule shows the Interfund Receivables/Payables for the primary government as of June 30, 2011. There were no Interfund Receivables/Payables for the component units as of June 30, 2011.

Interfund Receivables/Payables
June 30, 2011

(Dollars in Thousands)

Receivable From:	Amount	Payable To:	Amount
Primary Government		**Primary Government**	
Nonmajor Governmental Funds	$ 114,505	General Fund	$ 13,885
		Major Special Revenue Funds:	
		Commonwealth Transportation	3,000
		Federal Trust	22,122
		Nonmajor Enterprise Funds	29,468
		Internal Service Funds	46,030
Total	$ 114,505	**Total**	$ 114,505

Note: The loan payable to the General Fund will not be repaid within one year.

Due from/to Primary Government and Component Units

Included in this category is activity between the Commonwealth and its component units, as well as activity between component units.

The following due from primary government amounts represent General Fund (major governmental fund) appropriation available amounts that are due from the General Fund: University of Virginia (major component unit) - $8.2 million, Virginia Commonwealth University (major component unit) - $0.3 million, and nonmajor component units - $3.1 million. The General Fund reports $0.5 million of the due to component units in the governmental funds and the entire amount of $11.6 million is reported in the government-wide financial statements.

The following due from primary government amounts represent amounts due from the General Fund (major governmental fund) related to interest/rebate allocations: University of Virginia (major component unit) - $0.1 million, Virginia Polytechnic Institute and State University (major component unit) - $0.1 million, Virginia Commonwealth University (major component unit) - $0.1 million, and nonmajor component units - $4.7 million. In addition, a due from primary government amount due from the Federal Trust Special Revenue Fund (major governmental fund) to the Virginia College Building Authority (nonmajor component unit) of $5.6 million is for interest on Build America Bonds (BABs).

A $2.6 million due from primary government amount represents an amount due from a nonmajor governmental fund and a $0.3 million due from the General Fund (major governmental fund) related to the Department of the Treasury's reimbursement programs primarily to nonmajor component units. A $0.4 million due from primary government amount represents an amount due from a nonmajor governmental fund related to the pledging of monies towards an acquisition for the Virginia Museum of Fine Arts Foundation (nonmajor component unit). The $0.4 million nonmajor governmental amount is reported in the government-wide financial statements.

A $12.2 million due from component units in the Health Care Fund (internal service fund) represents amounts due from the following: Virginia Polytechnic Institute and State University (major component unit) - $2.5 million, Virginia Commonwealth University (major component unit) - $2.4 million, and nonmajor component units - $7.3 million. A $5.2 million due from component units represents amounts due to the General Fund (major governmental fund) related to the VRS rate differentials: University of Virginia (major component unit) - $0.7 million, Virginia Polytechnic Institute and State University (major component unit) - $0.8 million, Virginia Commonwealth University (major component unit) - $0.5 million, and nonmajor component units - $3.2 million.

A $0.6 million due from component units represents monies owed for administrative and project expenses from the Science Museum of Virginia Foundation (nonmajor component unit) to a nonmajor governmental fund. The entire nonmajor governmental amount is reported in the government-wide financial statements.

The following due from component units amounts represent amounts due from the Virginia College Building Authority (nonmajor component unit) related to the Department of the Treasury's reimbursement programs: Virginia Polytechnic Institute and State University (major component unit) - $12.3 million, Virginia Commonwealth University (major component unit) - $6.8 million, and nonmajor component units - $100.4 million. There is a due to component units of $0.8 million from a foundation of the Old Dominion University (nonmajor component unit) to the Virginia Commercial Space Flight Authority (nonmajor component unit). There is a $0.2 million due to component units from the Virginia Economic Development Partnership (nonmajor component unit) to the Virginia National Defense Industrial Authority (nonmajor component unit). There is a $0.1 million due to component units from the Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) to the Virginia Economic Development Partnership (nonmajor component unit).

Due from/to Component Units and Fiduciary Funds

A $26.4 million due from component units in the Pension and Other Employee Benefit Trust Funds (fiduciary funds) represents amounts due from the following: University of Virginia (major component unit) - $5.7 million, Virginia Polytechnic Institute and State University (major component unit) - $3.9 million, Virginia Commonwealth University (major component unit) - $3.4 million, and nonmajor component units - $13.4 million.

Loans Receivable/Payable Between Primary Government and Component Units

The Virginia Commonwealth University (major component unit) loan of $17.9 million and the Virginia State University (nonmajor component unit) loan of $1.2 million were used to fund programs until bonds were issued. The Virginia Community College System (nonmajor component unit) loan of $1.4 million was used primarily to advance fund federally-funded grant programs. The Virginia Port Authority (nonmajor component unit) loan of $13.9 million was used for short term financing for the development of Craney Island.

The $164.8 million in loans receivable from primary government represents loans from the Virginia Public School Authority (VPSA) to the Literary Special Revenue Fund (major governmental fund). The VPSA makes grants to local school divisions to finance the purchase of educational technology equipment. The VPSA makes these grants using the proceeds of notes issued for that purpose which will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Special Revenue Fund (major governmental fund).

10. OTHER ASSETS

The following table summarizes Other Assets as of June 30, 2011:

(Dollars in Thousands)

	Cash and Travel Advances	Unamortized Bond Issuance Expense	Other Assets	Total Other Assets
Primary Government:				
General	$ 2,740	$ -	$ -	$ 2,740
Major Special Revenue Funds:				
Commonwealth Transportation	319	-	-	319
Federal Trust	2,013	-	-	2,013
Nonmajor Governmental Funds	919	-	1,018	1,937
Major Enterprise Funds:				
State Lottery	1	-	-	1
Nonmajor Enterprise Funds	169	-	-	169
Internal Service Funds (1)	105	-	13,595	13,700
Agency Funds (2)	-	-	40	40
Total Primary Government (2)	$ 6,266	$ -	$ 14,653	$ 20,919
Discrete Component Units:				
Virginia Housing Development Authority	$ -	$ 5,364	$ 45,872	$ 51,236
University of Virginia	1,704	471	23,279	25,454
Virginia Polytechnic Institute and State University	-	1,365	5,079	6,444
Virginia Commonwealth University	362	3,986	15,890	20,238
Nonmajor Component Units	6,363	64,542	16,383	87,288
Total Component Units	$ 8,429	$ 75,728	$ 106,503	$ 190,660

Note (1): The $13,595 (dollars in thousands) shown above represents a Virginia Information Technologies Agency interfund asset due from various governmental funds that will not be received within 60 days. This amount is reclassified to an internal balance on the Government-wide Statement of Net Assets.

Note (2): Other Assets of the Agency Funds represent prepaid expenses and advances to third party agents. The $40 (dollars in thousands) shown above is not included in the Government-wide Statement of Net Assets. Governmental assets of $2 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but are excluded from the above amounts.

11. RESTRICTED ASSETS

Restricted assets represent monies or other resources that must be used for specific legal or contractual requirements. The Commonwealth Transportation Fund (major special revenue) and Debt Service and Capital Projects (nonmajor governmental funds) reported $667.9 million in restricted assets related to bond agreements.

The Virginia Housing Development Authority (major component unit) reported restricted assets totaling $1.5 billion. The Virginia Public School Authority (major component unit) reported restricted assets of $81.3 million. Both major component unit's assets are restricted for debt service under a bond indenture agreement or other agreements.

The Virginia Port Authority (nonmajor component unit) reported restricted assets of $101.6 million primarily for debt service under bond agreements, construction and other project funds.

The Virginia Resources Authority (nonmajor component unit) reported restricted assets of $615.0 million. Of this amount, $607.7 million is restricted for loans to local governments, bond indentures, or federal and state regulations for various revolving funds, and $7.3 million is restricted for the Operating Reserve Fund for the Virginia Pooled Financing Program.

The Hampton Roads Sanitation District Commission (nonmajor component unit) reported restricted assets of $76.6 million. Of this amount, $14.9 million is for debt service and $61.7 million is revenue bond construction funds. The Tobacco Indemnification and Community

Revitalization Commission (nonmajor component unit) reported restricted assets of $323.9 million to be used for financial aid to tobacco growers and to foster community economic growth.

The Virginia Small Business Financing Authority (nonmajor component unit) reported restricted assets of $15.7 million for gifts and grants.

The higher education institutions (component units) reported restricted assets totaling approximately $4.0 billion primarily for endowment and other contractual obligations. Included in this amount is approximately $3.1 billion of foundations' restricted assets. The two museum foundations, the Virginia Museum of Fine Arts Foundation (nonmajor component unit) and the Science Museum of Virginia Foundation (nonmajor component unit) had restricted assets of $167.5 million and $14.8 million, respectively, primarily for donor-imposed restricted endowments.

The remaining $4.3 million is spread among the Virginia Outdoors Foundation (nonmajor component unit), the Virginia Horse Center Foundation (nonmajor component unit), the Fort Monroe Authority (nonmajor component unit), the Assistive Technology Loan Fund Authority, the Virginia Arts Foundation (nonmajor component unit), the Library of Virginia Foundation (nonmajor component unit) and the Danville Science Center (nonmajor component unit).

12. CAPITAL ASSETS

The following schedule presents the changes in the Capital Assets:

Schedule of Changes in Capital Assets

Governmental Activities

(Dollars in Thousands)

	Balance July 1, as restated (1)	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 2,387,245	$ 184,673	$ (43,661)	$ 2,528,257
Water Rights and/or Easements	17,483	9,745	-	27,228
Construction-in-Progress	3,150,887	1,598,547	(1,351,699)	3,397,735
Total Nondepreciable Capital Assets	5,555,615	1,792,965	(1,395,360)	5,953,220
Depreciable Capital Assets:				
Buildings (2)	3,074,390	148,369	(13,430)	3,209,329
Equipment	841,582	66,061	(21,153)	886,490
Infrastructure	23,529,705	1,502,697	(197,270)	24,835,132
Software	304,902	18,166	(322)	322,746
Total Capital Assets being Depreciated	27,750,579	1,735,293	(232,175)	29,253,697
Less Accumulated Depreciation for:				
Buildings	1,026,203	74,473	(12,093)	1,088,583
Equipment	472,680	48,688	(15,613)	505,755
Infrastructure	10,455,377	616,582	(18,799)	11,053,160
Software	120,724	19,983	-	140,707
Total Accumulated Depreciation	12,074,984	759,726	(46,505)	12,788,205
Total Depreciable Capital Assets, Net	15,675,595	975,567	(185,670)	16,465,492
Total Capital Assets, Net	$ 21,231,210	$ 2,768,532	$ (1,581,030)	$ 22,418,712

Note (1): Beginning balances have been restated by $104,156 (dollars in thousands) due to the correction of prior year errors, as discussed in Note 2. Additionally, there have been reclassifications in the beginning balances of certain line items above.

Note (2): Includes a temporarily impaired asset with a carrying value of $2.84 million.

Depreciation Expense Charged to Functions of the Primary Government

June 30, 2011

(Dollars in Thousands)

Governmental Activities:	
General Government	$ 14,829
Education	9,781
Transportation	635,237
Resources and Economic Development	15,845
Individual and Family Services	27,596
Administration of Justice	44,275
Capital Assets held by the Internal Service Funds are charged to various functions	12,163
Total	$ 759,726

Schedule of Changes in Capital Assets

Business-type Activities

(Dollars in Thousands)

	Balance July 1, as restated	Increases	Decreases	Balance June 30
Nondepreciable Capital Assets:				
Land	$ 1,977	$ -	$ -	$ 1,977
Construction-in-Progress	7,526	2,867	(5,835)	4,558
Total Nondepreciable Capital Assets	9,503	2,867	(5,835)	6,535
Depreciable Capital Assets:				
Buildings	19,269	-	-	19,269
Equipment	70,628	11,980	(16,157)	66,451
Software	1,104	1,105	-	2,209
Total Capital Assets being Depreciated	91,001	13,085	(16,157)	87,929
Less Accumulated Depreciation for:				
Buildings	11,008	215	-	11,223
Equipment	56,365	6,236	(16,157)	46,444
Software	257	284	-	541
Total Accumulated Depreciation	67,630	6,735	(16,157)	58,208
Total Depreciable Capital Assets, Net	23,371	6,350	-	29,721
Total Capital Assets, Net	$ 32,874	$ 9,217	$ (5,835)	$ 36,256

Schedule of Changes in Capital Assets

Component Units

(Dollars in Thousands)

	Balance July 1 (1)	Increases	Decreases	Subtotal June 30	Foundations (2)	Total June 30
Nondepreciable Capital Assets:						
Land	$ 478,462	$ 41,685	$ (6,386)	$ 513,761	$ 262,165	$ 775,926
Construction-in-Progress	1,541,205	1,311,565	(1,168,935)	1,683,835	37,959	1,721,794
Inexhaustible Works of Art/Historical Treasures	75,238	304	(236)	75,306	17,412	92,718
Livestock	579	86	-	665	1,858	2,523
Total Nondepreciable Capital Assets	2,095,484	1,353,640	(1,175,557)	2,273,567	319,394	2,592,961
Depreciable Capital Assets:						
Buildings	10,013,195	929,376	(27,909)	10,914,662	1,036,268	11,950,930
Infrastructure	2,374,860	198,243	(592)	2,572,511	4,907	2,577,418
Equipment	2,598,543	248,063	(128,374)	2,718,232	125,567	2,843,799
Improvements Other Than Buildings	375,164	14,124	(1,925)	387,363	63,400	450,763
Library Books	724,277	40,473	(11,400)	753,350	-	753,350
Software	231,079	108,723	(2,715)	337,087	-	337,087
Other Intangible Assets	2,000	-	-	2,000	-	2,000
Total Capital Assets being Depreciated	16,319,118	1,539,002	(172,915)	17,685,205	1,230,142	18,915,347
Less Accumulated Depreciation for:						
Buildings	3,019,980	294,850	(20,012)	3,294,818	205,609	3,500,427
Infrastructure	1,108,880	75,005	(536)	1,183,349	2,227	1,185,576
Equipment	1,626,614	206,086	(121,518)	1,711,182	81,578	1,792,760
Improvements Other Than Buildings	210,160	16,286	(793)	225,653	30,411	256,064
Library Books	590,275	33,921	(10,838)	613,358	-	613,358
Software	139,591	63,060	(1,800)	200,851	-	200,851
Other Intangible Assets	800	133	-	933	-	933
Total Accumulated Depreciation	6,696,300	689,341	(155,497)	7,230,144	319,825	7,549,969
Total Depreciable Capital Assets, Net	9,622,818	849,661	(17,418)	10,455,061	910,317	11,365,378
Total Capital Assets, Net	$ 11,718,302	$ 2,203,301	$ (1,192,975)	$ 12,728,628	$ 1,229,711	$ 13,958,339

Note (1): There have been reclassifications in the beginning balances of certain line items above.

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Since foundations follow FASB rather than GASB reporting requirements, no amounts are reported in the software and other intangible assets categories for foundations.

13. DERIVATIVES

The Government Accounting Standards Board (GASB) issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* which requires additional reporting and disclosures for derivative instruments.

Primary Government

Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. Some traditional securities, such as structured notes, can have derivative-like characteristics. In this case, the return may be linked to one or more indexes and asset-backed securities, such as collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and pre-payments. Futures, forwards, options and swaps generally are not recorded on the financial statements, whereas structured notes and asset-backed investments generally are recorded.

The Virginia Retirement System (the System) is a party, both directly and indirectly, to various derivative financial investments that may or may not appear on the financial statements and that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value resulting from fluctuations in market conditions. These investments may involve, to varying degrees, elements of credit and market risk in excess of amounts recognized on the financial statements.

At June 30, 2011, the System had four types of derivative financial instruments: futures, currency forwards, options and swaps. Futures, currency forwards and options contracts provide the System with the opportunity to build passive benchmark positions, manage portfolio duration in relation to various benchmarks, adjust portfolio yield curve exposure and gain market exposure to various indexes in a more efficient way and at lower transaction costs. Credit risks depend on whether the contracts are exchange-traded or exercised over-the-counter. Market risks arise from adverse changes in market prices, interest rates and foreign exchange rates.

Futures Contracts

Futures contracts are contracts to deliver or receive securities at a specified future date and at a specified price or yield. Futures contracts are traded on organized exchanges (exchange-traded) and require an initial margin (collateral) in the form of cash or marketable securities. The net change in the futures contract value is settled daily, in cash, with the exchanges. The net gains or losses resulting from the daily settlements are included in the System's financial statements. Holders of futures contracts look to the exchange for performance under the contract and not to the entity holding the offsetting futures position. Accordingly, the amount at risk posed by nonperformance of counterparties to futures contracts is minimal. The notional value of the System's investment in futures contracts at June 30, 2011 and 2010 is shown in the following table.

Futures Contracts
as of June 30
(Dollars in Thousands)

	2011	2010
Cash & Cash Equivalent Derivatives Futures:		
Long	$ -	$ -
Short	(52,582)	(82,430)
Equity Derivatives Futures:		
Long	1,226,545	3,301,983
Short	(69,000)	(134,667)
Fixed Income Derivatives Futures:		
Long	632,094	758,934
Short	(416,406)	(655,468)
Total Futures	$ 1,320,651	$ 3,188,352

Currency Forwards

Currency forwards represent foreign exchange contracts and are used by the System to effect settlements and to protect the base currency ($US) value of portfolio assets denominated in foreign currencies against fluctuations in the exchange rates of those currencies. A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated price. The credit risk of currency contracts that are exchange-traded lies with the clearinghouse of the exchange where the contracts are traded. The credit risk of currency contracts traded over-the-counter lies with the counterparty, and exposure usually is equal to the unrealized profit on in-the-money contracts. The market risk in foreign currency contracts is related to adverse movements in currency exchange rates. Information on the System's currency forwards contracts at June 30, 2011 and 2010 is shown in the following table.

Currency Forwards

as of June 30

(Dollars in Thousands)

Currency	Cost	Pending Foreign Exchange Purchases	Pending Foreign Exchange Sales	Market Value 2011	Market Value 2010
Australian Dollar	$ (433,226)	$ 197,103	$ (633,923)	$ (436,820)	$ (243,677)
Brazil Real	(11,666)	937	(12,926)	(11,989)	(4,244)
British Pound Sterling	(740,062)	636,784	(1,373,698)	(736,914)	(392,551)
Canadian Dollar	(349,136)	194,824	(544,564)	(349,740)	(184,777)
Chilean Peso	(3,856)	250	(4,113)	(3,863)	-
Chinese Yuan Renminbi	2,500	2,498	-	2,498	-
Columbian Peso	1,000	1,006	-	1,006	-
Czech Koruna	(4,031)	4,258	(8,529)	(4,271)	-
Danish Krone	(53,697)	15,691	(69,670)	(53,979)	(36,667)
Euro Currency Unit	(2,461,194)	722,560	(3,196,676)	(2,474,116)	(2,233,734)
Hong Kong Dollar	(119,368)	37,317	(156,652)	(119,335)	(52,492)
Hungarian Forint	918	3,293	(2,343)	950	-
Indian Rupee	1,000	1,010	-	1,010	-
Indonesian Rupian	333	533	(200)	333	-
Israeli Shekel	(19,593)	9,598	(29,226)	(19,628)	(18,856)
Japanese Yen	(940,379)	320,879	(1,261,983)	(941,104)	(548,766)
Kazakhstan Tenge	8,033	7,950	-	7,950	-
Malaysian Ringgit	26,399	26,587	-	26,587	-
Mexican New Peso	(801)	-	(801)	(801)	(2,097)
New Taiwan Dollar	(4,181)	-	(4,189)	(4,189)	-
New Turkish Lira	4,091	4,019	-	4,019	-
New Zealand Dollar	58,658	201,809	(141,794)	60,015	85,378
Norwegian Krone	86,337	253,502	(165,471)	88,031	(4,502)
Peruvian Nuevo Sol	(560)	-	(563)	(563)	-
Philippines Peso	9,653	9,644	-	9,644	-
Polish Zloty	14,245	14,337	-	14,337	-
Russian Ruble (New)	15,039	15,083	-	15,083	-
Singapore Dollar	(35,080)	56,389	(91,373)	(34,984)	(45,949)
South African Comm Rand	(5,921)	2,625	(8,537)	(5,912)	(2,123)
South Korean Won	1,500	1,520	-	1,520	-
Swedish Krona	135,750	337,653	(203,284)	134,369	81,375
Swiss Franc	(527,822)	263,731	(792,882)	(529,151)	(107,504)
Thailand Baht	11,945	11,911	-	11,911	-
U.S. Dollar	533,172	8,572,477	(3,239,305)	5,333,172	3,705,400
Total Forwards Subject to Foreign Currency Risk				$ (14,924)	$ (5,786)

Options Contracts

Options may be either exchange-traded or negotiated directly between two counterparties over-the-counter. Options grant the holder the right, but not the obligation, to purchase (call) or sell (put) a financial instrument at a specified price and within a specified period of time from the writer of the option. As a purchaser of options, the System typically pays a premium at the outset. This premium is reflected as an asset on the financial statements. The System then retains the right, but not the obligation, to exercise the options and purchase the underlying financial instrument. Should the option not be exercised, it expires worthless and the premium is recorded as a loss.

A writer of options assumes the obligation to deliver or receive the underlying financial instrument on exercise of the option. Certain option contracts may involve cash settlements based on specified indexes such as stock indexes. As a writer of options, the System receives a premium at the outset.

This premium is reflected as a liability on the financial statements, and the System bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Information on the System's options balances at June 30, 2011 and 2010 is shown in the following table.

Options Contracts
As of June 30
(Dollars in Thousands)

	2011	2010
Cash & Cash Equivalent Options:		
Call	$ -	$ -
Put	40	12
Equity Options:		
Call	(182)	(350)
Put	(95)	(29)
Fixed Income Options:		
Call	87	(89)
Put	144	-
Swaptions:		
Call	(5,557)	(6,783)
Put	601	(1,499)
Total Options	$ (4,962)	$ (8,738)

Swap Agreements

Swaps are negotiated contracts between two counterparties for the exchange of payments at certain intervals over a predetermined timeframe. The payments are based on a notional principal amount and calculated using either fixed or floating interest rates or total returns from certain instruments or indices. Swaps are used to manage risk and enhance returns. To reduce the risk of counterparty nonperformance, the System generally requires collateral on any material gains from these transactions. During fiscal year 2011, the System entered into credit defaults, inflation, interest rate and total return swaps. Information on the System's swap balances at June 30, 2011 and 2010 is shown in the following table.

Swap Agreements
As of June 30

(Dollars in Thousands

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Market Value 2011	Market Value 2010
Credit Default Swaps:								
Credit Suisse AG	$ 2,500			6/20/2016	Buying	5.0000%	$ (223)	$ -
Credit Suisse AG	7,000			6/20/2016	Buying	5.0000%	(917)	-
Credit Suisse AG	15,948			6/20/2016	Buying	1.0000%	1,211	-
Credit Suisse AG	35,000			6/20/2016	Selling	1.0000%	131	-
Credit Suisse AG	25,000			6/20/2015	Selling	5.0000%	-	(1,370)
Deutsche Bank AG/London	6,800			6/20/2021	Selling	1.0000%	(295)	-
Deutsche Bank AG/London	7,750			6/20/2016	Selling	5.0000%	1,015	-
Deutsche Bank AG/London	200			9/20/2015	Selling	1.0000%	3	-
Deutsche Bank AG/London	500			6/20/2021	Selling	1.0000%	(19)	-
Deutsche Bank AG/London	2,000			3/20/2015	Selling	1.0000%	(13)	-
Deutsche Bank AG/London	2,100			9/20/2014	Selling	5.0000%	269	-
Deutsche Bank AG/London	2,300			6/20/2015	Selling	1.0000%	(35)	-
Deutsche Bank AG/London	3,600			12/20/2015	Selling	1.0000%	80	-
Deutsche Bank AG/London	5,000			6/20/2015	Selling	1.0000%	(21)	-
Deutsche Bank AG/London	2,180			6/20/2018	Selling	1.0000%	(93)	-
Deutsche Bank AG/New York NY	400			9/20/2010	Selling	5.0000%	-	1
Deutsche Bank AG/New York NY	5,000			9/20/2014	Selling	5.0000%	-	568
Deutsche Bank AG/New York NY	10,000			9/20/2014	Selling	5.0000%	-	1,136
Deutsche Bank AG/New York NY	5,800			3/20/2015	Selling	1.0000%	-	(528)
Deutsche Bank AG/New York NY	100,000			6/20/2015	Selling	5.0000%	-	(5,480)
Deutsche Bank AG/New York NY	3,000			6/20/2015	Selling	1.0000%	-	(340)
Deutsche Bank AG/New York NY	5,000			6/20/2015	Selling	1.0000%	-	(483)
Deutsche Bank AG/New York NY	5,000			6/20/2015	Selling	1.0000%	-	(229)
Deutsche Bank AG/New York NY	5,000			6/20/2015	Selling	1.0000%	-	(251)
Deutsche Bank AG/New York NY	7,200			6/20/2015	Buying	1.0000%	-	292
Goldman Sachs & Co	800			12/20/2010	Selling	1.0000%	-	(1)
Goldman Sachs & Co	5,000			6/20/2011	Selling	1.0000%	-	(4)
Goldman Sachs & Co	575			6/20/2012	Selling	5.0000%	-	34
Goldman Sachs & Co	1,200			6/20/2012	Buying	Variable Rate	-	23
Goldman Sachs & Co	9,147			12/20/2012	Selling	1.4000%	-	(268)
Goldman Sachs & Co	4,400			9/20/2013	Buying	2.6700%	-	(164)
Goldman Sachs & Co	1,000			12/20/2013	Buying	5.0000%	-	(4)
Goldman Sachs & Co	4,400			3/20/2015	Selling	1.0000%	-	(400)
Goldman Sachs & Co	10,000			3/20/2015	Selling	1.0000%	-	(427)
Goldman Sachs & Co	5,000			6/20/2015	Selling	1.0000%	-	(836)
Goldman Sachs Bank USA/New York NY	544			6/20/2016	Selling	1.0000%	(2)	-
Goldman Sachs Bank USA/New York NY	1,200			6/20/2012	Buying	Variable Rate	(1)	-
Goldman Sachs Bank USA/New York NY	3,600			6/20/2016	Selling	1.0000%	(60)	-
Goldman Sachs Bank USA/New York NY	3,827			6/20/2016	Selling	1.0000%	(10)	-
Goldman Sachs Bank USA/New York NY	5,401			6/20/2016	Selling	1.0000%	(14)	-
Goldman Sachs Bank USA/New York NY	15,560			6/20/2016	Buying	1.0000%	(58)	-
Goldman Sachs International	500			3/20/2016	Selling	1.0000%	(16)	-
Goldman Sachs International	1,100			6/20/2016	Selling	1.0000%	10	-
UBS AG/London	11,850			6/20/2021	Selling	1.0000%	(775)	-
UBS AG/Stamford CT	1,850			9/20/2016	Selling	1.0000%	(182)	-
UBS AG/Stamford CT	4,475			12/20/2013	Buying	1.8000%	(115)	-
UBS Financial Services Inc	3,000			9/20/2012	Selling	5.0000%	-	127
UBS Financial Services Inc	2,840			12/20/2013	Buying	1.6000%	-	(59)
UBS Financial Services Inc	4,475			12/20/2013	Buying	1.8000%	-	(104)
UBS Financial Services Inc	6,500			3/20/2014	Selling	3.1500%	-	246
UBS Financial Services Inc	13,000			6/20/2015	Selling	5.0000%	-	(712)
Total Credit Default Swaps	385,522						(130)	(9,233)
Inflation Swaps:								
Deutsche Bank AG/New York NY	25,000	CPI Urban Consumers NSA	2.8300%	1/13/2020			-	1,236
Goldman Sachs & Co	4,900	US CPI Urban Consumer	2.4900%	6/8/2020			-	70
Goldman Sachs & Co	4,900	US CPI Urban Consumer	2.4300%	6/10/2020			-	41
Merrill Lynch Capital Services	10,000	US CPI Urban Consumer NSA	3.2700%	7/5/2021			(19)	-
Total Inflation Swaps	44,800						(19)	1,347

Continued on next page

Swap Agreements
As of June 30
(Continued from previous page)

(Dollars in Thousands

Counterparty	Notional Amount	VRS Rate	Counterparty Rate	Maturity Date	Buying/Selling Protection	Pay/Receive Rate	Market Value 2011	Market Value 2010
Interest Rate Swaps:								
Credit Suisse AG	40,000	3-month LIBOR	1.2438%	6/7/2012			-	221
Goldman Sachs & Co	20,000	3-month LIBOR	1.1500%	5/13/2012			-	104
Goldman Sachs & Co	8,800	2.4275%	3-month LIBOR	4/9/2014			-	(260)
Goldman Sachs & Co	17,000	5.7250%	3-month LIBOR	7/9/2017			-	(3,515)
Goldman Sachs & Co	15,254	4.0770%	3-month LIBOR	11/15/2021			-	(393)
Goldman Sachs & Co	15,000	3-month LIBOR	4.3900%	5/4/2040			-	2,051
Goldman Sachs Bank USA/New York NY	500	4.09%	3-month LIBOR	5/24/2041			(2)	-
Goldman Sachs Bank USA/New York NY	1,700	2.0975%	3-month LIBOR	5/23/2016			(11)	-
Goldman Sachs Bank USA/New York NY	2,900	3-month LIBOR	3.41%	3/18/2021			50	-
Goldman Sachs Bank USA/New York NY	3,300	2.40%	3-month USD LIBOR	3/8/2016			(78)	-
Goldman Sachs Bank USA/New York NY	4,500	3.37%	3-month USD LIBOR	10/5/2040			541	-
Goldman Sachs Bank USA/New York NY	6,000	4.2825%	3-month USD LIBOR	4/19/2041			(231)	-
Goldman Sachs Bank USA/New York NY	6,800	2.18%	3-month USD LIBOR	1/13/2016			(110)	-
Goldman Sachs Bank USA/New York NY	7,200	3-month USD LIBOR	3.30%	5/6/2021			43	-
Goldman Sachs Bank USA/New York NY	10,000	3-month USD LIBOR	3.32%	5/23/2021			76	-
Goldman Sachs Bank USA/New York NY	11,000	0.66%	3-month USD LIBOR	6/29/2013			3	-
Goldman Sachs Bank USA/New York NY	18,500	0.66%	3-month USD LIBOR	6/29/2013			6	-
Goldman Sachs Bank USA/New York NY	22,000	0.85%	3-month USD LIBOR	1/25/2013			(114)	-
Goldman Sachs Bank USA/New York NY	30,100	0.89%	3-month USD LIBOR	3/3/2013			(169)	-
UBS AG/Stamford CT	12,378	JIBA3M INDEX	8.4500%	3/31/2021			235	-
UBS AG/Stamford CT	47,212	6.75%	JIBA3M INDEX	3/31/2013			(290)	-
UBS AG/Stamford CT	38,970	0%	3-month USD LIBOR	2/15/2025			(3,013)	-
UBS Financial Services Inc	40,000	3-month LIBOR	1.6675%	6/7/2013			-	434
UBS Financial Services Inc	38,970	0%	3-month LIBOR	2/15/2025			-	(3,159)
Total Interest Rate Swaps	418,084						(3,064)	(4,517)
Total Return Swaps:								
Blackrock Advisors UK Ltd	61,900	1-Month LIBOR +22 bps	BRCLYS Fixed Rate MBS	9/30/2011			-	-
Credit Suisse AG	97,748	1-Month LIBOR -16 bps	MSCI Daily EAFE Canada	8/31/2011			(1,286)	-
Deutsche Bank AG/London	7,003	1-month LIBOR	IOS FN30 450.10	1/12/2041			47	-
Goldman Sachs & Co	220,730	3 Month LIBOR	MSCI AC WORLD INDEX IMI	3/31/2011			-	(1,268)
Goldman Sachs Bank USA/New York NY	145	1-month LIBOR	FL US Tbill	1/12/2040			1	-
Goldman Sachs Bank USA/New York NY	726	1-month LIBOR	IOS FN30 450.09	1/12/2040			-	-
Goldman Sachs Bank USA/New York NY	2,813	1-month LIBOR	IOS FN30 600.08	1/12/2039			-	-
Goldman Sachs International	237,298	3-Month LIBOR +55 bps	MSCI AC WORLD INDEX IMI	3/31/2012			(26)	-
UBS AG/Stamford CT	43,600	1-Month LIBOR +15 bps	BRCLYS Fixed Rate MBS	7/31/2011			31	-
UBS AG/Stamford CT	61,800	3-Month LIBOR +26 bps	BRCLYS Fixed Rate MBS	12/31/2011			-	-
UBS AG/Stamford CT	277,212	1-Month LIBOR -14 bps	MSCI Daily EAFE Canada USD	11/30/2011			(4,018)	-
UBS Financial Services Inc	117,000	1-month LIBOR +5 bps	1-month LIBOR	9/30/2010			-	1,309
UBS Financial Services Inc	21,400	1-month LIBOR +7 bps	1-month LIBOR	10/31/2010			-	239
Total Total Return Swaps	1,149,375						(5,251)	280
Total Swaps	$ 1,997,781						$ (8,464)	$ (12,123)

Additional information is available in the Systems' separately issued financial statements which may be obtained from the Virginia Retirement System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Component Units

Hedging Derivative Instruments

In December 2005, Virginia Commonwealth University (VCU) (major) entered into an interest rate swap agreement in anticipation of the issuance of General Revenue Pledge Bonds, Series 2006A and Series 2006B, which carry variable interest rates. The swap has a notional amount of $70,395,000 as of year-end, which declines over time to $5,035,000 at the termination date of November 1, 2030. VCU pays a fixed rate of 3.436 percent and the counterparty pays 67.0 percent of the London Interbank Offered Rate (LIBOR) (0.19 percent as of June 30, 2011). The payments are settled monthly at the first of each month. In December 2005, the Medical College of Virginia Hospitals (MCVH) which is a division of the Virginia Commonwealth University Health System Authority (a blended component unit of VCU), entered into an interest rate swap agreement in conjunction with the issuance of its Series 2005 tax-exempt bonds. The swap has a notional amount of $72,900,000 as of year-end, which declines over time to $8,000,000 at the maturity date of July 1, 2030. MCVH pays a fixed rate of 3.499 percent and the counterparty pays 67.0 percent of LIBOR (0.19 percent as of June 30, 2011). The payments are settled monthly at the first of each month. In June 2007, the MCVH entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 tax-exempt bonds. The swaps have a combined notional amount of $123,410,000 as of year-end, which declines over time to $15,700,000 at the termination date of July 1, 2037. MCVH pays a fixed rate of 3.84 percent and the counterparty pays 67.0 percent of LIBOR (0.19 percent as of June 30, 2011). The payments are settled monthly at the first of each month. At June 30, 2011, the negative fair market value of VCU's swap of $7,791,248 and MCVH's swaps of $31,805,159 are included in other liabilities in the accompanying financial statements. For the year ended June 30, 2011, the change in fair value of VCU's swap was a reduction of approximately $1,731,682 to the prior year's deferred outflows amount of $9,522,930 and the change in MCVH's swaps was a reduction of approximately $7,487,142 to the prior year's deferred outflows amount of $39,292,301 resulting in deferred

outflows as of June 30, 2011 of $39,596,407 included in the accompanying financial statements.

The fair value of VCU's derivative was calculated by Deutshe Bank using undisclosed proprietary methods. The fair values of MCVH's derivatives were calculated by Wells Fargo and Bank of America using undisclosed proprietary pricing models.

VCU and MCVH use interest rate swap agreements to limit exposure to rising interest rates on its variable rate debt. VCU and MCVH are exposed to interest rate risk on the interest rate swaps. On the pay-fixed, receive-variable interest rate swaps, as the LIBOR index decreases, VCU and MCVH's net payments on the swaps increase.

At June 30, 2011, the University of Virginia (UVA) (major) had two fixed-payer interest rate swaps totaling $100.0 million in notional amount. The swaps are used as cash flow hedges by UVA in order to provide a cash flow hedge against changes in interest rates on approximately $82.0 million of the variable rate Series 2003A Bonds maturing in June 2034 and a portion of approximately $20.0 million of outstanding commercial paper which may have various maturities of no greater than 270 days each. UVA pays fixed rates of 4.154 percent and 4.066 percent and the underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The floating rate on June 30, 2011 was 0.09 percent. The payments are settled monthly at the first of each month. The swaps were entered into in January 2007 and February 2007 and both swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated. At June 30, 2011, the negative market value of the swaps of $11,122,730 is in other liabilities in the accompanying financial statements. For the year ended June 30, 2011, the change in fair value of UVA's swaps was a reduction of approximately $2,653,120 to the prior year's deferred outflows amount of $13,775,850 resulting in deferred outflows as of June 30, 2011 of $11,122,730 in the accompanying financial statements.

The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. UVA would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. At June 30, 2011, UVA had no credit risk related to its swaps. As of June 30, 2011, UVA's swap counterparties were rated A from Standard & Poor's and A2 by Moody's. To mitigate credit risk, UVA limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2011, no collateral was required to be posted by the counterparties.

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow variability caused by changes in interest rates. Basis risk arises when different indexes are used in connection with a derivative resulting in the hedge and hedged item not experiencing price changes in entirely opposite directions from each other. UVA's swaps are deemed to be effective hedges of its variable rate debt with an amount of basis risk that is within the guidelines for establishing hedge effectiveness. Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on UVA's strategy or could lead to potentially significant unscheduled payments. UVA's derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's, respectively. UVA or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, UVA would be liable to the counterparty for a payment equal to the swap's market value.

The following schedule shows debt service requirements of VCU, MCVH, and UVA's bonds payable debt and net receipts/payments on associated derivative instruments. These amounts assume that current variable and reference rates on the hedging instruments will remain the same for their terms. As these rates vary, net receipt/payments on the hedging instruments will vary.

Maturity	Principal	Variable Interest	Derivative Instruments, Net	Total
2012	$ 5,185,000	$ 154,777	$ 12,597,992	$ 17,937,769
2013	5,305,000	152,569	12,423,311	17,880,880
2014	5,605,000	150,242	12,238,844	17,994,086
2015	5,810,000	147,823	12,047,277	18,005,100
2016	6,040,000	145,311	11,848,030	18,033,341
2017-2021	33,870,000	685,354	55,965,605	90,520,959
2022-2026	57,450,000	592,818	48,520,653	106,563,471
2027-2031	70,335,000	443,148	38,070,464	108,848,612
2032-2036	149,550,000	195,100	20,825,471	170,570,571
2037-2041	30,815,000	6,908	583,362	31,405,270
Total	$ 369,965,000	$ 2,674,050	$ 225,121,009	$ 597,760,059

Various foundations of higher education institutions have derivative instruments. The foundations follow FASB rather than GASB reporting requirements. Disclosures for the foundations' derivatives can be found in the individually published financial statements of the foundations.

14. RETIREMENT AND PENSION SYSTEMS

A separately issued financial report that includes financial statements and required supplemental information for each of the individual plans discussed below is publicly available. Copies may be obtained by writing to Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

A. Administration

The Virginia Retirement System (the System) is an independent agency of the Commonwealth that administers two defined benefit pension plans, the VRS Plan 1 and the VRS Plan 2, other employee benefit plans and other funds for Commonwealth employees, teachers, political subdivision employees, and other qualifying employees. The Board of Trustees is responsible for the general administration and operation of the plans. The Board consists of five members appointed by the Governor and four members appointed by the Joint Rules Committee, all subject to confirmation by the General Assembly. The Board of Trustees appoints a director to serve as the chief administrative officer of the System and a chief investment officer to direct, manage and administer the investment of the System's funds. The Board of Trustees has appointed BNY Mellon as the custodian of designated assets of the System.

The System administers four pension trust funds: the Virginia Retirement System (VRS); State Police Officers' Retirement System (SPORS); Virginia Law Officers' Retirement System (VaLORS); and the Judicial Retirement System (JRS). In addition to the pension plans, the System administers four Other Employee Benefit Plans: Group Life Insurance Fund; Retiree Health Insurance Credit Fund; the Virginia Sickness and Disability Program (VSDP); and the Line of Duty Act Trust Fund.

B. Summary of Significant Accounting Policies (Virginia Retirement System)

Basis of Accounting

The financial statements of the pension and other employee benefit trust funds are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as earned by the plans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

Investments are reported at fair value as determined by the System's master custodian, BNY Mellon, from its Global Pricing System. This pricing system assigns a price source, based on asset type and the vendor pricing products to which the master custodian subscribes, for every security held immediately following its acquisition. Prices supplied by these sources are monitored on a daily basis by the master custodian.

When a pricing source is unable to provide a price, quotes are sought from major investment brokers and market-making dealers; or internal calculations are applied if feasible. As a last resort, the master custodian will contact investment managers for a price. The master custodian prices commingled funds, partnerships, and real estate assets from statements received from the funds, partnerships, or investment managers.

The pricing sources utilized by the master custodian provide daily prices for equity securities, corporate, government and mortgage-backed fixed income securities, private placement securities, futures and options on futures, open-ended funds, and foreign exchange rates. Depending on the vendor, collateralized mortgage obligations (CMOs), adjustable rate mortgages (ARMs) and asset-backed securities are priced either daily, weekly or twice a month and at month-end. Municipal fixed income securities and options on Treasury/Government National Mortgage Association securities are priced at month-end.

The System's investment guidelines for each specific portfolio limits investments in any corporate entity to no more than 5.0 percent of the market value of the account for both the internally and externally managed portfolios. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net assets available for benefits.

C. Plan Description

Retirement Plans

The Virginia Retirement System is a qualified governmental retirement plan that provides defined benefit coverage for state employees, public school board employees, employees of participating political subdivisions and other qualifying employees. VRS is a mixed-agent and cost-sharing, multiple-employer retirement plan, which administers two defined benefit plans, the VRS Plan 1 and the VRS Plan 2. The plan's accumulated assets may legally be used to pay all plan benefits provided to any of the plan members or beneficiaries. Contributions for fiscal year 2011 were $1.5 billion with a reserve balance available for benefits of $51.3 billion. At June 30, 2011, the VRS had 829 contributing employers.

Single-employer Retirement Plans

The Commonwealth administers the following single-employer retirement plans:

- State Police Officers' Retirement System (SPORS)
- Virginia Law Officers' Retirement System (VaLORS)
- Judicial Retirement System (JRS)

All full-time, salaried permanent employees of VRS participating employers are automatically covered under VRS, SPORS, VaLORS or JRS with the following exceptions: (1) certain full-time faculty and administrative staff of public colleges and universities; and (2) eligible classified employees of the two state teaching hospitals. These employees have the option to elect not to participate in the Virginia Retirement System. Benefit provisions and all other requirements are established by Title 51.1 of the *Code of Virginia*, as amended.

Benefits vest for all plans after five years of service credit. Vested VRS members in the VRS Plan 1 are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit as elected by the employer. Vested VRS members in the VRS Plan 2 are eligible for an unreduced retirement benefit at normal social security retirement age with at least five years of service credit or when age and service credit equal 90. Vested SPORS and VaLORS members in both the VRS Plan 1 and the VRS Plan 2 are eligible for an unreduced benefit at age 60 with at least five years of hazardous duty service credit or age 50 with at least 25 years of total service credit.

Annual retirement benefits are payable monthly for life in an amount equal to 1.7 percent of eligible members' average final compensation (AFC) for each year of service credit. AFC is the average of the member's 36 consecutive months of highest creditable compensation for members under the VRS Plan 1. Under the VRS Plan 2, member's AFC is the average of the member's 60 consecutive months of highest creditable compensation. The benefit for members of SPORS is calculated using a 1.85 percent multiplier. Members of SPORS also are eligible for a hazardous duty supplement, paid monthly, until they reach full Social Security retirement age.

Members of VaLORS hired before July 1, 2001, were allowed to make a one-time election to increase the multiplier from 1.7 to 2.0 percent instead of receiving a monthly hazardous duty supplement. VaLORS members who elected to retain the 1.7 percent multiplier are eligible for the supplement until age 65. Members of VaLORS hired after June 20, 2001, have their benefit computed using the 2.0 percent multiplier and are not eligible for the supplement.

Members of JRS receive weighted years of service credit for each year of actual service under JRS. VRS, SPORS, VaLORS, and JRS also provide death and disability benefits. A cost-of-living adjustment, based on changes in the Consumer Price Index and limited to 5.0 percent per year for VRS Plan 1 and 6.0 percent for VRS Plan 2, is granted on July 1 of the second calendar year after retirement and is effective each July 1 thereafter.

Benefits for all vested members are actuarially reduced if they retire before becoming eligible for an unreduced retirement benefit, provided they meet age requirements for a reduced retirement benefit.

As required by Title 51.1 of the *Code of Virginia*, as amended, members contribute 5.0 percent of their annual compensation to the defined benefits plans. Employers may assume the 5.0 percent member contribution. If a member leaves covered employment, the accumulated contributions plus earned interest may be refunded to the member. Each participating employer is required by state statute to contribute the remaining amounts necessary to fund the retirement plans using the entry age normal actuarial cost method adopted by the Board of Trustees. Contributions for fiscal year 2011, were $12.3 million, $20.3 million, and $34.4 million, and reserved balances available for benefits were $598.6 million, $361.3 million, and $910.5 million, for SPORS, JRS, and VaLORS, respectively. State statute may be amended only by the General Assembly. When funding rates are lower than required, the Commonwealth incurs a Net Pension Obligation liability which is reported in the accompanying financial statements as a component of Long-term Liabilities Due in More than One Year.

D. Funding Policy

The funding policy of the retirement plans provides for periodic employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Gains and losses are reflected in the unfunded actuarial accrued liability that is being amortized as a level percentage of payroll within 30 years or less.

The System's actuary, Cavanaugh MacDonald Consulting, LLC, computed the amount of contributions to be provided by state agency employers, state police and other Virginia law employers. The contribution rates for fiscal year 2011 were based on the actuary's valuation as of June 30, 2009. Employer contributions by the Commonwealth to VRS, SPORS, VaLORS, and JRS were 2.13 percent, 7.76 percent, 5.12 percent, and 28.81 percent, respectively, of covered

payrolls. These rates were lower than the actuary's recommended rates to VRS, SPORS, VaLORS, and JRS of 8.46 percent, 25.56 percent, 15.93 percent, 46.79 percent, respectively.

In addition to determining contribution requirements, the actuarial computations present an estimate of the discounted present value of the prospective accrued liability contributions that employers will have to pay in the future so that such contributions, together with the assets on hand, the normal contributions to be made in the future by employers and members and the income earned by investing funds, will be sufficient to provide all benefits to be paid to present members in the future as well as the annuitants and their designated beneficiaries.

E. Annual Pension Cost and Net Pension Obligation

The following table (dollars in thousands) shows the Commonwealth's annual pension cost and net pension obligation to the VRS, SPORS, JRS, and VaLORS for the current and prior years.

	VRS			SPORS		
	2011	2010	2009	2011	2010	2009
Annual required contribution	$ 383,620	$ 360,232	$ 355,608	$ 34,402	$ 32,341	$ 31,894
Interest on net pension obligation	85,192	71,709	62,199	9,285	8,075	7,227
Adjustment to annual required contribution	(90,255)	(75,995)	(65,798)	(9,831)	(8,550)	(7,653)
Annual pension cost	378,557	355,946	352,009	33,856	31,866	31,468
Contributions made	(73,874)	(176,189)	(225,079)	(7,460)	(15,730)	(20,175)
Increase in net pension obligation	304,683	179,757	126,930	26,396	16,136	11,293
Net pension obligation, beginning of year	1,135,943	956,186	829,256	123,798	107,662	96,369
Net pension obligation, end of year	$ 1,440,626	$ 1,135,943	$ 956,186	$ 150,194	$ 123,798	$ 107,662
Percentage of annual pension cost contributed	19.5%	49.5%	63.9%	22.0%	49.4%	64.1%

	JRS			VaLORS		
	2011	2010	2009	2011	2010	2009
Annual required contribution	$ 34,907	$ 29,483	$ 28,427	$ 79,596	$ 80,603	$ 80,509
Interest on net pension obligation	6,427	5,520	4,985	24,469	21,446	19,313
Adjustment to annual required contribution	(6,806)	(5,845)	(5,279)	(25,910)	(22,708)	(20,450)
Annual pension cost	34,528	29,158	28,133	78,155	79,341	79,372
Contributions made	(17,303)	(17,065)	(21,000)	(17,255)	(39,027)	(50,932)
Increase in net pension obligation	17,225	12,093	7,133	60,900	40,314	28,440
Net pension obligation, beginning of year	85,698	73,605	66,472	326,260	285,946	257,506
Net pension obligation, end of year	$ 102,923	$ 85,698	$ 73,605	$ 387,160	$ 326,260	$ 285,946
Percentage of annual pension cost contributed	50.1%	58.5%	74.6%	22.1%	49.2%	64.2%

The amounts in the previous table include governmental and component unit activity for which the Commonwealth is considered the employer. It does not include the VRS liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), the Fort Monroe Authority (component unit), and the Virginia National Defense Industrial Authority (component unit) of $2.8 million, $1.5 million, $268,008, and $87,266, respectively. The table also excludes the non-VRS pension liability of $84.3 million for all other component units and includes the fiduciary pension liability of $8.9 million.

The contribution rates were determined during the actuarial valuation conducted as of June 30, 2009. These valuations were prepared using the entry age normal cost method. The actuarial assumptions included (a) 7.0 percent investment rate of return, per year compounded annually; (b) projected salary increases ranging from 3.5 percent to 6.2 percent, including a 2.5 percent inflation component; and (c) 2.5 percent per year COLA. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll. The remaining closed amortization period at June 30, 2011, was 20 years. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

F. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
		Virginia Retirement System (VRS)				
2010	$ 52,729	$ 72,801	$ 20,072	72.4%	$ 14,758	136.0%
		State Police Officers' Retirement System (SPORS)				
2010	$ 634	$ 949	$ 315	66.8%	$ 98	323.2%
		Virginia Law Officers' Retirement System (VaLORS)				
2010	$ 925	$ 1,579	$ 654	58.6%	$ 346	189.0%
		Judicial Retirement System (JRS)				
2010	$ 372	$ 560	$ 188	66.5%	$ 61	307.8%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plans and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

G. Defined Contribution Plan for Political Appointees

Officers appointed by the Governor, officers elected by popular vote or the General Assembly, and executive branch chief deputies and confidential assistants may participate in the deferred contribution plan for Political Appointees, rather

than the VRS. This optional retirement plan is authorized by the *Code of Virginia* and offered through the ING Institutional Plan Services (ING). This is a defined contribution plan where the retirement benefits are based upon the Commonwealth's (2.13 percent) and the employee's (5.0 percent) contributions, plus interest and dividends. The Commonwealth pays the required employee contributions. During the year ended June 30, 2011, the total contributions to this plan were $860,362.

The summary of significant accounting policies for the plan is in accordance with those discussed in Note 14. B.

H. Defined Contribution Plan for Public School Superintendents

The Public School Superintendent Plan is a defined contribution pension plan that provides optional postemployment benefits for school superintendents. This plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school board for credit to the member. At June 30, 2011, there were two participants in this plan. Total contributions to the plan for fiscal year 2011 were $31,862.

I. Virginia Supplemental Retirement Plan

The Virginia Supplemental Retirement Plan is a defined contribution pension plan established by the Department of Education to provide an optional postemployment benefit plan for turnaround specialists in the public school system. This plan is utilized as an incentive to attract highly skilled teachers for participating public schools pursuant to the *Code of Virginia* by Title 51.1-617. The Board of Trustees of the System manages the investments of the fund as custodian. School boards may elect to offer this plan as an option to the standard VRS plan that is available for school board members. Contributions are provided by the school boards for credit to the members. At June 30, 2011, there were two participants in this plan. There were no contributions to the plan for fiscal year 2011.

J. Higher Education Fund (Component Unit)

The Commonwealth's colleges and universities participate in the defined benefit retirement plan administered by VRS. In addition, full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in optional retirement plans as authorized by the *Code of Virginia* rather than the VRS defined benefit retirement plan. These optional retirement plans are defined contribution plans offered through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) Insurance Companies, Variable Annuity Life Insurance Company (VALIC), Fidelity Investments, Inc., and Vanguard. Starting in fiscal year 2011, there were two defined contribution plans. Plan 1 is for employees hired prior to July 1, 2010 and retirement benefits received are based upon the employer's 10.4 percent contributions, plus interest and dividends. Plan 2 is for employees hired on or after July 1, 2010 and retirement benefits received are based upon the employer's 8.5 percent not to exceed 8.9 percent contribution and the employee's 5.0 percent contribution, plus interest and dividends. For Plan 2, the employer contributions for fiscal year 2011 were 8.5 percent except the employer contributions for the University of Virginia were 8.9 percent. During the year ended June 30, 2011, the total contributions to these plans were:

	Plan 1	Plan 2		
	Employer	Employer	Employee	Total
TIAA-CREF	$ 77,979,697	$ 2,047,456	$ 1,169,375	$ 81,196,528
VALIC	1,128,875	24,210	16,770	1,169,855
Fidelity Investments	32,356,876	1,521,348	886,962	34,765,186
Vanguard	4,454,227	274,658	155,071	4,883,956
Total	$ 115,919,675	$ 3,867,672	$ 2,228,178	$ 122,015,525

University of Virginia Medical Center employees cannot participate in Plan 1 or Plan 2 noted above but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan offered through TIAA-CREF, Fidelity Investments, Inc., and Vanguard. Under this plan, the employer contributions are 4.0 percent if hired on or after September 30, 2002 and 8.0 percent if hired prior to September 30, 2002. There are no employee contributions under this plan. During the year ended June 30, 2011, the total employer contributions to this plan were $12,087,268.

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – major) contributes to the VRS. The System issues a separate stand-alone report that is publicly available as previously discussed. Effective July 1, 1997, the Authority established the Virginia Commonwealth University Health System Authority Defined Contribution Plan (the plan). All employees, excluding house staff, working at least 20 hours per week in a benefit eligible position are eligible to participate in the plan. Per the plan document as approved by the Authority's Board of Directors, the Authority contributes up to ten percent of the participant's salary to the plan not to exceed the lesser of (a) the amount in accordance with Internal Revenue Code 415(d), or (b) 100 percent of the participant's compensation for such limitation year. Total contributions for the year ended June 30, 2011, were approximately $15,803,000. The Authority has the right at anytime, and without the

consent of any party, to terminate the plan in its entirety. The Authority's Board of Directors must approve any changes to the provisions of the plan, including the contribution requirements, in writing. The Authority has also established the Virginia Commonwealth University Health System Authority Health Care Providers Defined Contribution Plan (the HCP plan). All persons hired as a health care provider on or after July 1, 1993, and prior to July 1, 1997, and working at least 35 hours of service per week were eligible to participate in the HCP plan. At June 30, 2011, there were five actively employed participants in the HCP plan. Total contributions to the HCP plan for the year ended June 30, 2011, were approximately $37,000.

Previously, the MCV Associated Physicians (MCVAP) (a component unit of the Authority) sponsored the MCVAP 403(b) Retirement Fund (the 403(b) Plan), a defined contribution plan which covered substantially all non-medical employees of MCVAP. As of January 1, 2002, no additional contributions were made to this plan.

MCVAP also sponsors the VCUHS 401(a) Retirement Plan, a defined contribution plan which covers all non-medical employees of MCVP and the VCUHS 457(b) Savings Plan, a salary reduction plan that represents employee contributions. These plans became effective on January 1, 2002, and replaced the MCVAP 403 (b) plan for all non-medical staff. The contributions to the VCUHS 401(a) for the period ended June 30, 2011, were approximately $2,820,000.

MCVAP also sponsors the MCVAP 401(a) Retirement Plan (the 401(a) plan), a noncontributory, defined contribution plan which covers substantially all full-time eligible clinical providers of MCVAP. Contributions to the 401(a) plan, as determined annually at the discretion of the board of directors were approximately $11,851,000 for the year ended June 30, 2011.

VA Premier (a component unit of the Authority) adopted a 401(k) plan sponsored by Fidelity Investments. Employees become eligible to participate in the plan after completing one year of service. There is no minimum service or age requirement to be in the 401(k) plan. Employees may contribute one percent to 15 percent of their compensation. VA Premier will match 50 percent of the employees' contributions up to four percent of the employees' compensation. Matching will occur based on the bi-weekly pay periods. In addition, VA Premier contributes three percent of the employee's compensation after each bi-weekly payroll effective when the employee begins employment. Employees are fully vested after four years of service in which the employees have at least 1,000 hours of service each year. The total expense to VA Premier in fiscal year 2011 was approximately $1,533,000.

Effective January 1, 1997, James Madison University (nonmajor) established a Supplemental Retirement Plan for tenured faculty members. The plan was designed to provide flexibility in the allocation of faculty positions. The plan is a qualified plan within the meaning of section 401(c) of the Internal Revenue Code of 1986 (the Code) and is a governmental plan within the meaning of section 414(d) of the Code. Since it is a governmental plan, the plan is not subject to the Employee Retirement Income Security Act of 1974 as amended. Since inception, 183 faculty members have elected to enroll in the plan. As of June 30, 2011, 66 participants remain, including 8 new participants who retired under this plan during fiscal year 2011. In order to satisfy IRS requirements, a trust fund has been established as a means to make the payments to the plan participants. The University prepaid $1,776,394 of the fiscal year 2012 plan contribution in 2011. The remaining 2012 plan contribution of $26,492 will be paid in 2012.

The Center for Innovative Technology (CIT) is a blended component unit of the Innovation and Entrepreneurship Investment Authority (nonmajor). The CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, contributions are fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by TIAA-CREF. Contributions for the plan totaled $399,812 in fiscal year 2011.

K. Other Component Units

Note 1.B. outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority (blended - primary government), the Virginia Public School Authority (major), the Virginia College Building Authority (nonmajor), the Virginia University Research Partnership (nonmajor), and the Virginia Schools for the Deaf and Blind Foundation (nonmajor) have no employees. The Virginia Economic Development Partnership, the Small Business Financing Authority, the Hampton Roads Sanitation District Commission, the Virginia Biotechnology Research Partnership Authority, the A. L. Philpott Manufacturing Extension Partnership, the Virginia Tourism Authority, the Tobacco Indemnification and Community Revitalization Commission, the Virginia Foundation for Healthy Youth, the Virginia Land Conservation Foundation, the Virginia Arts Foundation, the Virginia National Defense Industrial Authority, and the Library of Virginia Foundation (all nonmajor) contribute solely to the VRS, a mixed-agent and cost-sharing multiple-employer retirement plan. The System issues a separate stand-alone report that is publicly available as previously discussed.

Full-time employees of the Virginia Housing Development Authority (major) participate in a defined contribution employees' retirement savings

plan administered by the Authority. This is a noncontributory plan where the Authority incurs employment retirement savings expense equal to eight percent of full-time employees' compensation. Total retirement savings expense under this plan was $2,584,237 in fiscal year 2011.

The Virginia Outdoors Foundation (nonmajor) maintains a 401(k) contribution plan and provides an employer contribution to all eligible employees of two percent of their salary. Employees can contribute to the plan up to the IRS limit and the Foundation will match up to four percent of an employees' contribution.

The Virginia Port Authority (nonmajor) contributes to the VRS. The Authority also sponsors two single-employer noncontributory defined benefit pension plans. The Virginia Port Authority Pension Plans are administered by the Authority and provide retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority.

The components of annual pension cost and prepaid pension obligation for the first single-employer noncontributory defined benefit pension plan are as follows:

Trend Information

	2011	2010	2009
Service cost - benefits earned during the year	$ 3,589,900	$ 2,834,000	$ 2,234,100
Interest cost on projected benefit obligation	4,886,100	4,762,200	3,976,700
Expected return on assets	(4,212,000)	(3,535,600)	(4,027,000)
Net amortization and deferral	3,589,200	3,205,400	1,446,200
Annual pension cost	7,853,200	7,266,000	3,630,000
Contributions made	-	(7,920,000)	(2,482,000)
Increase (Decrease) in prepaid pension obligation	7,853,200	(654,000)	1,148,000
Prepaid pension obligation, beginning of year	(8,246,800)	(7,592,800)	(8,740,800)
Prepaid pension obligation, end of year	$ (393,600)	$ (8,246,800)	$ (7,592,800)

Costs have been computed in accordance with the aggregate cost method. Changes in plan provisions and actuarial assumptions, and actuarial gains and losses are not separately amortized under this method. Rather the impact is spread through the nominal cost component over the future working lifetime of participants. The actuarial present value of accumulated plan benefits is determined by an actuary using end of year benefit information as of September 30, 2010 and 2009, respectively, and is determined by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money and the probability of payment.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2011, 2010, and 2009.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2011	$ 7,853,200	- %	$ (393,600)
2010	$ 7,266,000	109 %	$ (8,246,800)
2009	$ 3,630,000	68 %	$ (7,592,800)

In November 2001, the second plan was amended to provide benefits to sworn police officers that more closely resemble the new retirement benefits provided to members of the Virginia Law Officers Retirement System. The effect of those changes is included in the accompanying pension data.

The components of annual pension cost and prepaid pension obligation for the second single-employer noncontributory defined benefit pension plan are shown in the following schedule.

Trend Information

	2011	2010	2009
Service cost - benefits earned during the year	$ 1,101,909	$ 1,111,163	$ 655,361
Interest cost on projected benefit obligation	82,643	83,337	435,006
Expected return on assets	(109,452)	(135,251)	1,096,215
Net amortization and deferral	171,448	208,410	(1,310,223)
Annual pension cost	1,246,548	1,267,659	876,359
Contributions made	(1,575,234)	(923,681)	(1,185,944)
Increase (Decrease) in pension obligation	(328,686)	343,978	(309,585)
Pension obligation, beginning of year	(1,459,366)	(1,803,344)	(1,493,759)
Prepaid pension obligation, end of year	$ (1,788,052)	$ (1,459,366)	$ (1,803,344)

The annual pension cost for the current year was determined as part of the July 2011 actuarial valuation using the aggregate actuarial cost method, which does not identify and separately amortize unfunded actuarial liabilities. Because of this, information about the funded status and funding progress is presented using the entry age actuarial cost method. The information presented is intended to serve as a surrogate for the funded status and funding progress of the plan. Actual value of assets was determined using market value. The discount rate used in determining the actuarial liability was based on a 7.5 percent discount rate and a 4.0 percent future compensation level was used for future years.

The following table sets forth the plan's funded status and the related amounts recorded in the Authority's balance sheets at June 30, 2011, 2010, and 2009.

Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Prepaid Pension Obligation
2011	$ 1,246,548	126 %	$ (1,788,052)
2010	$ 1,267,659	73 %	$ (1,459,366)
2009	$ 876,359	135 %	$ (1,803,344)

The Authority also sponsors two noncontributory supplemental plans covering certain key employees. The plans had assets of $3,053,827 and an accrued liability of $3,569,294. No contributions were made to the plans for the year ended June 30, 2011.

As of January 1, 2005, the Virginia Resources Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the VRS. For the year ended June 30, 2011, the Authority's annual pension cost of $117,133 was equal to the Authority's required and actual contributions.

The Assistive Technology Loan Fund Authority sponsors a Simple Employee Plan (SEP) for all of its employees. The Authority contributes five percent of each employee's wages, which is paid into their account managed by American Funds each pay period.

Employees of the Virginia Museum of Fine Arts Foundation who are age 21 or older are eligible to participate in the Employee's Savings Plan (the plan), a 401(k) defined contribution profit sharing plan. Under the plan, the Foundation may make a discretionary contribution. For the plan years ended June 30, 2011, and 2010, the Foundation contributed 8.4 percent of employees' gross income to the plan. In addition, contributions made by an employee up to 3 percent are matched 100 percent and contributions between 3 and 5 percent of the employee's gross income are matched 50 percent by the Foundation. Employees may contribute up to 100 percent of gross income each year as long as it is within the IRS limitation. Contributions paid to the plan by the Foundation on behalf of its employees were $118,140 for the fiscal year ended June 30, 2011. Also, the Foundation entered into a supplemental retirement agreement to pay a key employee of the Museum upon retirement the difference between the amount accrued under the VRS defined benefit plan, based on salary, and the amount based on the supplemental salary. The

plan vests July 31, 2011. Therefore, no liability was recorded in the financial statements in fiscal year 2011. Contributions made to the plan began in 2010 totaling $12,611 as of June 30, 2011 and $22,170 as of June 30, 2010.

The Science Museum of Virginia Foundation has a 403(b) defined contribution pension plan through the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) Retirement Plan for employees meeting age and service requirements. The Foundation contributes an amount not to exceed three percent of the regular salary of each participant. The Foundation's employer contributions totaled $13,309 in 2011.

15. OTHER EMPLOYMENT BENEFITS

In addition to the pension plans, the Commonwealth participates in two other employment benefit plans, Group Life Insurance and the Virginia Sickness and Disability Program, which are administered by the Virginia Retirement System (the System). The System administers a third other employment benefit plan, the Volunteer Firefighters' and Rescue Squad Workers' Fund, in which the Commonwealth does not participate, but may provide funding. The significant accounting policies for all three plans are the same as those described in Note 14 for pension plans. A separately issued financial report that includes financial statements for the Group Life Insurance and Virginia Sickness and Disability Program is publicly available. Copies may be obtained by writing to the Virginia Retirement System, P. O. Box 2500, Richmond, Virginia 23218-2500.

Group Life Insurance

The Group Life Insurance Plan was established for Commonwealth employees, teachers, employees of political subdivisions participating in the VRS, state police officers, other state law enforcement and correctional officers, judges, and other qualifying employees. The program provides life insurance for natural death coverage equal to a member's annual compensation rounded to the next highest $1,000 and then doubled. Accidental death coverage is double the natural death benefit. The program also provides coverage for accidental dismemberment and accidental blindness, a safety belt benefit, a repatriation benefit, a felonious assault benefit and an accelerated death benefit for terminal conditions. Approximately 355,397 members participate in the program at June 30, 2011.

Participating employers and their covered employees are required by Title 51.1 of the *Code of Virginia*, as amended, to contribute to the cost of group life insurance benefits. Employers may assume the employees' contributions.

An optional Group Life Insurance Fund was established for members covered under the group life program as a supplement to that plan. Members may purchase optional life insurance coverage for themselves, their spouses and/or their dependent children. The optional program provides natural death coverage equal to one, two, three or four times the member's annual compensation rounded to the next highest $1,000, up to a maximum of $600,000. Spouse coverage is available for up to one-half of the member's optional insurance amount. Minor children who are at least 15 days old can be insured for $10,000, $20,000 or $30,000, depending on the option chosen by the member. An additional accidental death and dismemberment benefit is payable for death or bodily injuries. Approximately 64,229 members were covered under this program at June 30, 2011.

Optional group life insurance coverage ends for members when they retire or terminate their employment, or when their basic coverage ends. Members who retire on disability may continue their optional coverage until age 65 provided they continue to pay the required insurance premiums. Spouse coverage terminates should a couple divorce or when the member leaves employment. Children's coverage ends with the termination of the member's coverage or when the child marries or turns 21 years of age (25 years of age for full-time college students).

Employers of members who elect optional life insurance coverage deduct the premiums from the members' paychecks, as required by Title 51.1 of the *Code of Virginia*, as amended. Premiums are based on the member's age and determined by the Board of Trustees. Because optional life insurance is an insured product, the carrier bills each employer directly, and the employer makes the contribution payments to the carrier. Any differences and adjustments are settled between the employer and the carrier.

Virginia Sickness and Disability Program

The System administers the Virginia Sickness and Disability Program (VSDP) to provide income protection in the event of a disability for eligible state employees hired on or after January 1, 1999. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program.

VSDP benefits include sick, family and personal leave and short-term and long-term disability benefits. After a seven-calendar day waiting period following the first day of disability, eligible employees receive short-term disability benefits from 60 percent to 100 percent of their compensation depending on their months of state service. After 125 work days of short-term disability, eligible employees receive long-term disability benefits equal to 60 percent of their compensation. If the employee's condition becomes catastrophic, income replacement increases to 80 percent until the condition is no longer catastrophic. Long-term disability benefits continue until employees either return to work, retire or reach age 65 (age 60 for state police officers and other state law enforcement and correctional officers) or die.

Full-time permanent salaried state employees, including state police officers and other Virginia law and

correctional officers, are automatically enrolled in the VSDP. Part-time permanent salaried state employees who work at least 20 hours a week and accrue leave also are automatically enrolled. Teaching, administrative and research faculty of Virginia public colleges and universities who elect VRS as their retirement plan must make an irrevocable election to participate in either the VSDP or the institution's disability program. If there is no institution program, the faculty member is covered under VSDP.

Eligible state employees and state police officers employed before January 1, 1999 had the option to elect to participate in the VSDP or remain under the Commonwealth's existing sick leave program and retain their eligibility for disability retirement benefits under VRS and SPORS. (Members of VaLORS have been automatically enrolled in the VSDP since October 1, 1999 when VaLORS was created.) Eligible employees enrolled in the VSDP are not eligible for disability retirement benefits under VRS, SPORS, or VaLORS. Approximately 74,972 members were covered under the program at June 30, 2011.

Volunteer Firefighters' and Rescue Squad Workers' Fund

Volunteer firefighters and rescue squad workers may participate in an optional employment benefit plan. This optional plan is authorized by the *Code of Virginia*. The Board of Trustees of the System manages the investments of the fund as custodian. Members of the plan contribute $30 per quarter. The Commonwealth will contribute an amount determined by the Board and appropriated by the General Assembly, if such funds are appropriated, for a period not to exceed 20 years. For fiscal year 2011, there were no monies appropriated for administration of the program. At June 30, 2011, there were 1,577 workers participating in the fund.

16. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Virginia Retirement System (The System) Administered Plans

The Government Accounting Standards Board (GASB) issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which requires additional reporting and disclosures for OPEB plans. The statement became effective for System-administered OPEB plans beginning with the fiscal year ended June 30, 2007. The assets and actuarial accrued liabilities for the following other postemployment benefits were determined through an actuarial valuation performed as of June 30, 2010, by Cavanaugh Macdonald Consulting, LLC, and are presented in the Required Supplemental Schedule of Funding Progress for Other Postemployment Benefit Plans. The significant accounting policies for all four plans are the same as those described in Note 14 for pension plans and a separately issued report is available as previously discussed.

Group Life Insurance Benefits

Employees who retire or terminate from service after age 50 with at least ten years of service credit or at age 55 with at least five years of service credit (age 50 for vested state police officers, other state law enforcement and correctional officers and hazardous duty employees of participating political subdivisions), or who retire because of disability, are entitled to postemployment group life insurance benefits. At retirement or termination, accidental death benefits cease and natural death coverage reduces at a rate equal to 25 percent on January 1 of the first full calendar year following retirement or termination and on January 1 of each year thereafter, until it reaches 25 percent of its original value. These group life insurance benefit provisions and requirements are established by Title 51.1 of the *Code of Virginia*. There were approximately 137,784 retirees in the Basic Group Life Insurance Program and 2,099 retirees were covered under the Optional Group Life Insurance Program in fiscal year 2011.

Since 1960, when the group life insurance program was established, a portion of the premium contributions collected during members' active careers has been placed in an advance premium deposit reserve. This reserve was established to pre-fund death benefits to members after retirement.

Employers providing life insurance benefits are part of a cost-sharing pool. Therefore, separate measurements of assets and actuarial accrued liabilities are not made for individual employers participating in the program.

Retiree Health Insurance Credit Program

The Retiree Health Insurance Credit Program was established on January 1, 1990, to provide benefits for retired state employees, state police officers, other state law enforcement and correctional officers and judges who have at least 15 years of service credit under the retirement plans. The program provides a credit reimbursement of $4 per month per year of service credit against the monthly health insurance premiums of eligible retirees.

A similar program was established on July 1, 1993, to provide a health insurance credit for retired teachers and employees of participating political subdivisions with at least 15 years of service credit under the retirement plans. Retired teachers are eligible for a monthly credit of $4 per month per year of service credit. Local government retirees may receive a maximum credit of $1.50 per month per year of service with a maximum monthly credit of $45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The amount required to fund all credits is financed by the employers based on contribution

rates determined by the System's actuary. Approximately 96,671 retired members were covered under this program at June 30, 2011. The Retiree Health Insurance Credit Program is an agent, multiple-employer defined benefit OPEB plan.

Disability Insurance Trust Fund

The Commonwealth provides OPEB disability insurance benefits, in accordance with state statutes, to eligible retired and terminated employees. State agencies are required by Title 51.1 of the *Code of Virginia* to contribute to the cost of providing long-term disability benefits and administering the program. There were approximately 2,698 former members receiving benefits from the program during fiscal year 2011. The Disability Insurance Trust Fund is a single-employer defined benefit OPEB plan.

Line of Duty Death and Disability

The Commonwealth provides death and health benefits to the beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty. A trust fund has been established to account for this activity. Benefit provisions and eligibility requirements are established by Title 9.1 Chapter 4 of the *Code of Virginia*. The significant accounting policies for this plan are the same as those described in Note 14 for pension plans. There were approximately 720 retirees and 655 other participants in the program in fiscal year 2011. The Line of Duty Death and Disability Program is a cost-sharing, multiple-employer defined benefit OPEB plan. Additionally, the Department of Accounts provides certain administrative support in claims administration.

B. Pre-Medicare Retiree Healthcare

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. For a retiree to participate in the Plan, the participant must be eligible for a monthly annuity from the VRS or a periodic benefit from one of the qualified Optional Retirement Plan (ORP) vendors, and:

- be receiving (not deferring) the annuity or periodic benefit immediately upon retirement;
- have his or her last employer before retirement be the state;
- be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date (not including Extended Coverage); and,
- have submitted within 31 days of his or her retirement date an Enrollment Form to his or her Benefits Administrator to enroll.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. The significant accounting policies for this plan are the same as those described in Note 14 for pension plans. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan and is administered by the Department of Human Resource Management. There were approximately 8,793 retirees in the program in fiscal year 2011.

C. Annual OPEB Cost and Net OPEB Obligation

The Government Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required additional reporting and disclosures for OPEB plans beginning with the fiscal year ending June 30, 2008. The Commonwealth calculated an OPEB liability as of June 30, 2011 for each of the four OPEB plans. The Retiree Health Insurance Credit Fund, Disability Insurance Trust Fund, and Pre-Medicare Retiree Healthcare OPEB liabilities were $79.2 million, $109.6 million, and $446.4 million, respectively. These amounts are reported in the accompanying financial statements as a component of Long-Term Liabilities Due in More than One year. There is no liability for the Group Life Insurance Fund or Line of Duty Death and Disability.

The following table (dollars in thousands) shows the Commonwealth's annual OPEB cost and net OPEB obligation (asset) for the current and prior years.

	Group Life Insurance Fund			Retiree Health Insurance Credit Fund		
	2011	2010	2009	2011	2010	2009
Annual required contribution	$ 13,360	$ 28,887	$ 40,248	$ 58,785	$ 66,510	$ 66,979
Interest on net OPEB obligation	-	-	-	1,922	165	-
Adjustment to annual required contribution	-	-	-	(1,728)	(143)	-
Annual OPEB cost	13,360	28,887	40,248	58,979	66,532	66,979
Contributions made	(13,360)	(28,887)	(40,248)	(5,383)	(43,094)	(64,783)
Increase in net OPEB obligation	-	-	-	53,596	23,438	2,196
Net OPEB obligation (asset), beginning of year	-	-	-	25,634	2,196	-
Net OPEB obligation (asset), end of year	$ -	$ -	$ -	$ 79,230	$ 25,634	$ 2,196
Percentage of annual OPEB cost contributed	100.0%	100.0%	100.0%	9.1%	64.8%	96.7%

	Disability Insurance Trust Fund			Line of Duty Death and Disability (1)		
	2011	2010	2009	2011	2010	2009
Annual required contribution	$ 33,643	$ 78,117	$ 79,450	$ -	$ 16,901	$ 16,523
Interest on net OPEB obligation	5,650	2,080	1,467	-	386	(12)
Adjustment to annual required contribution	(5,082)	(1,808)	(1,552)	(15,607)	(367)	11
Annual OPEB cost	34,211	78,389	79,365	(15,607)	16,920	16,522
Contributions made	-	(30,771)	(71,142)	-	(9,084)	(8,511)
Increase in net OPEB obligation	34,211	47,618	8,223	(15,607)	7,836	8,011
Net OPEB obligation (asset), beginning of year	75,379	27,761	19,538	15,607	7,771	(240)
Net OPEB obligation (asset), end of year	$ 109,590	$ 75,379	$ 27,761	$ -	$ 15,607	$ 7,771
Percentage of annual OPEB cost contributed	-	39.3%	89.6%	-	53.7%	51.5%

(1) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero. Fiscal year 2011 activity was funded with a $10.7 million loan that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.

	Pre-Medicare Retiree Healthcare		
	2011	2010	2009
Annual required contribution	$ 166,637	$ 136,426	$ 131,654
Interest on net OPEB obligation	13,304	9,751	4,733
Adjustment to annual required contribution	(13,356)	(9,265)	(4,489)
Annual OPEB cost	166,585	136,912	131,898
Contributions made	(29,583)	(23,780)	(30,722)
Increase in net OPEB obligation	137,002	113,132	101,176
Net OPEB obligation (asset), beginning of year	309,408	196,276	95,100
Net OPEB obligation (asset), end of year	$ 446,410	$ 309,408	$ 196,276
Percentage of annual OPEB cost contributed	17.8%	17.4%	23.3%

The amounts in the previous table include Governmental and Component Unit activity for which the Commonwealth is considered the employer. It does not include the OPEB liability for the Virginia Economic Development Partnership (component unit), the Virginia Tourism Authority (component unit), Fort Monroe Authority (component unit), Virginia Outdoors Foundation (component unit) and the Virginia National Defense Industrial Authority (component unit) of $852,645, $455,905, $81,407, $24,331, and $26,547, respectively. The table also excludes non-Commonwealth sponsored OPEB liabilities of $19.0 million for all other component units and includes the fiduciary OPEB liability of $2.7 million.

The annual required contributions for the current year were determined during the actuarial valuations conducted as of June 30, 2009, as that is the most recent report that reflects the current funding policies. For fiscal year 2011, employer contributions by the Commonwealth for Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance were 0.28 percent, 0.10 percent, and 0.00 percent, respectively, of covered payrolls. The valuations were prepared using the entry age normal cost method for all plans except for the Disability Insurance trust fund for which the Projected Unit Credit actuarial cost method was used. The Pre-Medicare Retiree Healthcare plan uses a 4.30 percent investment rate of return, per year compounded annually, which approximates the projected rate of return on the Treasurer's Portfolio. The Group Life Insurance, Retiree Health Insurance Credit and Disability Insurance use a 7.0 percent investment rate of return, per year compounded annually, The actuarial assumptions for all but the Pre-Medicare Retiree Healthcare plan included a projected salary increase of 3.0 percent, including a 2.5 percent inflation component. Valuation techniques were applied to smooth the effects of short-term volatility in the market value of investments over a five year period. The remaining closed amortization period at June 30, 2011, was 30 years. The actuarial assumptions for the Pre-Medicare Retiree Healthcare plan as to current claim cost, projected increases in health insurance costs, mortality, turnover, retirement, disability and discount rate include (a) projected salary increases ranging from 3.75 percent to 5.6 percent, including a 2.5 percent inflation component; and, (b) assumption that there is no liability associated with those retirees eligible for Medicare, as costs for members aged 65 and older are not subsidized by the active population (no implicit subsidy), participants pay 100 percent of the costs, and the liability associated with the health insurance credit is measured and held by the Virginia Retirement System. Initial healthcare costs trend rates used were 10.0 percent, 11.0 percent, and 6.0 percent for medical, pharmacy, and dental benefits, respectively. The ultimate trend rates used were 5.0 percent, 5.0 percent, and 4.0 percent for medical, pharmacy, and dental benefits, respectively. The remaining closed amortization period at June 30, 2011 was 30 years.

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, per the most recent actuarial valuation, was as follows:

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
		Group Life Insurance Fund				
2010	$ 929	$ 2,245	$ 1,316	41.4%	$ 16,526	8.0%
		Retiree Health Insurance Credit Fund				
2010	$ 278	$ 2,127	$ 1,849	13.1%	$ 13,474	13.7%
		Disability Insurance Trust Fund				
2010	$ 303	$ 282	$ (21)	107.3%	$ 3,168	(0.7%)
		Line of Duty Death and Disability				
2010	$ -	$ 576	$ 576	-	N/A	-
		Pre-Medicare Retiree Healthcare				
2009	$ -	$ 1,298	$ 1,298	-	$ 3,297	39.4%

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Amounts determined regarding the funded status of the plans and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

E. Higher Education Fund (Component Unit)

The University of Virginia (major) has a Retiree Health Plan that covers employees who retire before becoming eligible for Medicare until they reach age 65 and can then participate in the Commonwealth's Medicare Supplement Plan. Additional information on this plan can be found in the individually published financial statements of the University.

F. Other Component Units

The Virginia Housing Development Authority (major) has a Retiree Health Care Plan, a single-employer defined benefit plan which is administered through the Virginia Housing Development Authority Retiree Health Care Plan Trust, an irrevocable trust to be used solely for providing benefits to eligible participants. Effective January 1, 2006, eligible retirees must be at least 55 years of age with 15 years of service or at least 55 years of age with 10 years of service if employed by the Authority prior to such date. For the year ended June 30, 2011, the Authority's Annual OPEB cost was $980,325; the percentage of Annual OPEB Cost Contributed was 96.9 percent; and the ending Net OPEB asset was $8,913.

Hampton Roads Sanitation District Commission (nonmajor) provides other postemployment benefits for its employees through a single employer defined benefit plan. The plan was established and may be amended by the Commission. The plan furnishes health and dental benefits for life for all employees with at least 15 years of service and who also qualify for an unreduced retirement benefit through the VRS. The plan allows the retiree at their expense to cover their spouse and dependent under the district's health care provider. Contribution requirements are actuarially determined and funding is subject to approval by the Commission. The current rate is 6.0 percent of annual covered payroll. For 2011, the Commission's annual OPEB cost was $2.2 million; the percentage of annual OPEB cost contributed was 100 percent.

The Virginia Port Authority (VPA) (nonmajor) offers post retirement medical and dental benefits to employees who retire under either VRS or the VPA pension plan. For employees and their spouses, who are participants in the VPA medical plan, not participants under the state health care plan VRS, benefit provisions and obligations are established and may be amended by the board of commissioners of the Authority. For the year ended June 30, 2011, the Authority's annual OPEB cost was $43,241; contribution towards OPEB cost was $26,458; the percentage of annual OPEB cost contributed was 61.2 percent; and the ending net OPEB obligation was $130,129.

17. DEFERRED COMPENSATION PLANS

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The Virginia Retirement System (the System) administers the deferred compensation plan, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51.1, Chapter 6 et seq. of the *Code of Virginia*. The System contracts with private corporations or institutions subject to the standards set forth in the *Code* to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliation, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the System for investment. The plan provides a number of investment options and is designed so that each participant retains investment control of his/her individual account. The plan, available to all state employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of plan participants and their beneficiaries and is not available to employees until termination, retirement, death, unforeseeable emergency, or an in-service distribution at age 70 ½ or later. Since the System has no fiduciary relationship with plan participants, plan assets of $1.4 billion are not included in the financial statements.

In addition, the Commonwealth provides a cash match under Internal Revenue Code Section 401(a) for employees participating in the deferred compensation plan. The match amount for an employee was established at 50 percent of the voluntary contributions to the deferred compensation plan. During the current fiscal year, the maximum match was $10 per pay period or $20 per month. The fair value of assets in the cash match savings plan at June 30, 2011, was $236.5

million, which is also excluded from the financial statements.

Most employees of the Commonwealth's colleges and universities may participate in the Commonwealth's deferred compensation plan in accordance with Internal Revenue Code Section 457(b) and/or the institution's deferred compensation plan in accordance with Internal Revenue Code Section 403(b). Under either plan, the institution's cash match under the Internal Revenue Code Section 401(a) during fiscal year 2011 was a maximum match up to $10 per pay period or $20 per month. This employer match is for either plan but not both plans. Employer contributions under these plans were approximately $7.3 million for fiscal year 2011.

The deferred compensation plan for the University of Virginia Medical Center employees hired on or after September 30, 2002 allows employee contributions up to 4.0 percent of their salary and the employer match is 50.0 percent of the 4.0 percent deferral not to exceed 2.0 percent of the employees' salary. Employer contributions under this plan were approximately $1.3 million for fiscal year 2011.

The Virginia Housing Development Authority (major component unit) and the Virginia Resource Authority (nonmajor component unit) have deferred compensation plans available to all employees created in accordance with Internal Revenue Section 457. The plans permit participants to defer a portion of their salary or wage until future years. The deferred compensation is not available to employees until termination, retirement, or death. The assets of the plans are in irrevocable trusts with an external trustee and, accordingly, no assets or liabilities are reflected in the financial statements.

The Virginia Port Authority (VPA) (nonmajor component unit) offers three deferred compensation plans and two matching savings plans under Internal Revenue Code Sections 457 and 401(a), respectively. Employees who maintain status under VRS are covered under the deferred compensation plan administered by the System as discussed above. The VPA deferred compensation plan covers all employees hired after July 1, 1997, and those employees electing coverage under the authority's deferred compensation plan. The VPA also offers a matching savings plan that covers substantially all employees. The matching savings plan requires the VPA to match contributions in an amount equal to 50 percent of the first six percent of the participant's base pay contributed to the plan. VPA's total contribution to the matching savings plan was $140,696 for the fiscal year ended June 30, 2011. Further, the right to modify, alter, amend, or terminate the deferred compensation plan and matching savings plan rests with the VPA Board of Commissioners.

The third deferred compensation plan and second matching savings plan covers substantially all non-union employees with 90 days or more of service. The matching savings plan requires the VPA to match employee contributions in an amount equal to 50 percent of the first three percent of the participant's base pay contributed to the deferred compensation plan. VPA's total contribution to the matching savings plan was $318,828 for the fiscal year ended June 30, 2011.

18. STATE NON-ARBITRAGE POOL

The Commonwealth sponsors the Virginia State Non-Arbitrage Program (SNAP) for use by the Commonwealth and local governments to invest bond proceeds. The Commonwealth's responsibility is limited to hiring service providers to manage SNAP. The investment manager and the custodian have the fiduciary responsibility for SNAP.

The SNAP fund is a class of the PFM Funds Prime Series, a money market mutual fund registered with the Securities and Exchange Commission. PFM Funds is a diversified, open-end management investment company organized as a Virginia business trust. Shares of the SNAP fund are solely available to investors participating in the SNAP program. The PFM Funds Board of Trustees has overall responsibility for supervising the SNAP fund's business and affairs, including the oversight of organizations providing investment advisory, administration, and distribution services to the SNAP fund. PFM Asset Management LLC serves as the investment adviser of the SNAP fund. The SNAP individual investment portfolios are the responsibility of the SNAP investment manager and the governments investing proceeds in the portfolios. These investments are held solely in the SNAP participants' names. Since the Commonwealth has no fiduciary relationship with local governmental entities participating in the plan, these assets of $2.0 billion are not included in the financial statements.

19. COMMITMENTS

A. Construction Projects

Primary Government

Highway Projects

At June 30, 2011, the Department of Transportation had contractual commitments of approximately $2.4 billion for construction of various highway projects. Funding for these expenditures is expected to be provided as follows: (1) federal funds – approximately 45 percent or $1.1 billion, (2) state funds – approximately 54 percent or $1.3 billion, and (3) Proceeds from Bonds – approximately 1 percent or $22 million.

Mass Transit Projects

At June 30, 2011, the Department of Rail and Public Transportation had contractual commitments of approximately $257.2 million for various public transportation, rail preservation, and rail enhancement projects. Funding of the future expenditures is expected to be as follows: (1) state funds - approximately 87.9 percent or $226.2

million, and (2) federal funds - approximately 12.1 percent or $31.0 million.

Wastewater Treatment Projects

At June 30, 2011, the Department of Environmental Quality was committed to grant contracts with localities to reimburse a portion of construction costs for nutrient reduction facilities at wastewater treatment plants totaling $177.9 million.

Cemetery Project

At June 30, 2011, the Department of Veterans Services had contractual commitments of approximately $5.8 million for construction related to Dublin Cemetery.

Component Units

Port Projects

At June 30, 2011, the Virginia Port Authority (nonmajor) was committed to construction contracts totaling $267.6 million.

Sanitation District Project

At June 30, 2011, the Hampton Roads Sanitation District Commission (nonmajor) was committed to construction programs totaling $186.0 million.

Wallops Island Project

At June 30, 2011, the Virginia Commercial Space Flight Authority (nonmajor) was committed to construction programs totaling $82.5 million.

Higher Education Institutions

Colleges and universities had contractual commitments as of June 30, 2011, of approximately $756.8 million primarily for construction contracts. Higher education foundations' commitments total approximately $14.1 million and are primarily for construction contracts.

B. Operating Leases

The Commonwealth has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense for the primary government under these operating leases for the year ended June 30, 2011, was $69.1 million for governmental activities (including internal service funds) and $21.3 million for business-type activities. Rental expense for the discrete component units (excluding foundations) for the year ended June 30, 2011, was $123.1 million. The Commonwealth has, as of June 30, 2011, the following minimum rental payments due under the above leases (dollars in thousands):

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units (1)
2012	$ 58,452	$ 19,208	$ 97,288
2013	48,142	16,216	86,787
2014	41,118	11,819	75,152
2015	36,530	8,698	71,043
2016	28,075	5,606	63,457
2017-2021	58,556	2,472	266,767
2022-2026	6,987	-	238,226
2027-2031	1,109	-	181,811
2032-2036	552	-	3,323
2037-2041	313	-	3,323
2042-2046	22	-	3,323
2047-2051	17	-	2,994
2052-2056	-	-	2,500
2057-2061	-	-	2,500
Total	$ 279,873	$ 64,019	$ 1,098,494

Note (1): The above amounts exclude operating lease obligations of foundations.

	Foundations (2)
2012	$ 1,915
2013	1,560
2014	1,317
2015	1,090
2016	1,024
Thereafter	4,231
Total	$ 11,137

Note (2): Foundations represent FASB reporting entities defined in Note 1.B. Rental expense for the year ended June 30, 2011, was approximately $2.7 million.

Lease agreements are for various terms and contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

C. Investment Commitments – Virginia Retirement System

The Virginia Retirement System extends investment commitments in the normal course of business, which, at June 30, 2011, amounted to $3.5 billion.

D. Tobacco Grants

The Tobacco Indemnification and Community Revitalization Commission (nonmajor component unit) has $220.8 million in grant award commitments not reflected in the accompanying financial statements since eligibility requirements were not met as of June 30, 2011, in accordance with GASB Statement No. 33.

The Virginia Foundation for Healthy Youth (nonmajor component unit) has $9.6 million in grant commitments and outstanding contracts not reflected in these statements since eligibility requirements were not met as of June 30, 2011, in accordance with GASB Statement No. 33.

E. Other Commitments

Primary Government

At June 30, 2011, the Department of Motor Vehicles had contractual commitments of approximately $42.4 million for security technology services.

At June 30, 2011, the Virginia Employment Commission had contractual commitments of approximately $27.4 million for an information systems modernization project.

At June 30, 2011, the Department of Correctional Education had contractual commitments of approximately $7.9 million for teacher services.

The Virginia Wireless E-911 (nonmajor enterprise fund) has $3.9 million in outstanding grants awarded but not yet disbursed to localities since all of the eligibility criteria have not been met, in accordance with GASB Statement No. 33.

Component Units

The Virginia Small Business Financing Authority (nonmajor) has $2.0 million in loan commitments in the Federal Economic Development Loan Fund as of June 30, 2011. In addition, the Child Care Financing Program had $787,770 in loan commitments in accordance with GASB Statement No. 33.

The Virginia University Research Partnership (nonmajor) has $2.0 million in grant award commitments not reflected in these statements since eligibility requirements were not met as of June 30, 2011, in accordance with GASB Statement No. 33.

The Fort Monroe Authority (nonmajor) has commitments totalling $564,539 for various construction programs, as well as $546,802 for marketing and public relations. These amounts were not dispersed since eligibility was not met as of June 30, 2011, in accordance with GASB Statement No. 33.

20. ACCRUED LIABILITY FOR COMPENSATED ABSENCES

Employees accrue annual leave at a rate of four to nine hours semimonthly, depending on their length of service. The maximum leave accumulation is dependent upon years of service, but in no case may it exceed 432 hours. The maximum compensation for annual leave balances is also dependent upon years of service, but in no case may an employee be compensated for more than 336 hours.

All employees hired after January 1, 1999, are required to enroll in the Virginia Sickness and Disability Program (VSDP) (see Note 15). Under the VSDP, employees receive a specified number of sick and personal leave hours, depending on their length of service, and any balances at the end of the calendar year revert. Individuals employed at January 1, 1999, had the option of converting to the VSDP or remaining in the original sick leave plan. If converting, the employee's sick leave balance could be used to purchase retirement credits or be converted to disability credits. If an employee opted to remain in the original sick leave program, sick leave accrues at a rate of five hours semimonthly. Employees who leave state service after a minimum of five years employment receive the lesser of 25 percent of the value of their disability credits or accumulated sick leave at their current earnings rate or $5,000. All employees leaving state service are paid for accrued annual leave up to the maximum calendar year limit at their current earnings rate.

In conformance with Section C60 of the GASB Codification, the monetary value of accumulated annual and sick leave and disability credits payable upon termination is included in the accompanying financial statements and is reported as Compensated Absences. In the government-wide statements, proprietary fund statements, and discrete component unit fund statements, compensated absence amounts are segregated into two components – the amount due within one year and the amount due in more than one year. Compensated absences due within one year consist of an estimate of the amount that will be used by active employees for paid time off and/or paid upon termination, plus the actual amount paid after June 30 for employees terminating on or before June 30. In the governmental fund statements, amounts to be paid from expendable resources are recognized as fund liabilities in the applicable governmental fund types as long-term liabilities and represent payments to employees for separations that occurred on or before June 30. Amounts not payable from expendable resources are reflected in the governmental activities column in the Government-wide Statement of Net Assets (see Note 25). All amounts related to the fiduciary funds are recognized in those funds.

The liability at June 30, 2011, was computed using salary rates effective at that date, and represents vacation, compensatory and sick leave earned or disability credits held by employees up to the allowable ceilings.

21. POLLUTION REMEDIATION OBLIGATIONS

The Commonwealth has pollution remediation obligations of $4.8 million of which $748,979 is due within one year. With the exception of the Department of Environmental Quality (DEQ), agencies estimated future obligations based on professional consultant estimates and/or historical project expenses of similar projects; however, there is the potential for change in estimates due to price increase or reductions, technology, or applicable laws and regulations. Remediations for DEQ are not estimates but contractual obligations between the Commonwealth and the U.S. Environmental Protection Agency (EPA), and any change due to a reconciliation of incurred costs requires mutual consent and contract amendment.

The estimated Commonwealth pollution remediation liability relates to the anticipated cost of hazardous waste removal, cleanup relating to leakage of underground storage tanks, soil and groundwater contaminations, dump site cleanups, asbestos and mercury abatement, lead contamination and remediation relating to superfund state contracts.

Agencies involved in remediation include:

- Department of Environmental Quality (DEQ)
- Department of Transportation (VDOT)
- Department of Corrections (DOC)
- Department of Juvenile Justice (DJJ)
- Department of State Police (DSP)
- Department of Behavioral Health and Developmental Services (DBHDS)

A Facility Lead Agreement was signed between the EPA and VDOT to resolve an issue concerning the storage of lab wastewater in an outdoor lined surface impoundment that operated between 1979 and 1983 for which contamination is present in soil and groundwater. VDOT is expected to recover $230,654 to offset remediation costs related to two contaminated groundwater sites, one site of asbestos abatement and one underground storage tank leakage site. DOC was fined by the EPA in September/October 2003. DOC proposed to conduct a Supplemental Environmental Project (SEP) which included the formation of the Pollution Prevention Section of the Environmental Services Unit, disclosure of all environmental deficiencies to both the EPA and DEQ and corrections of those deficiencies.

The following pollution remediation outlays could not reasonably be estimated as of June 30, 2011:

- Department of Juvenile Justice (DJJ) relating to groundwater contamination & underground fuel storage removal
- Department of State Police (DSP) relating to underground gasoline tank leakage
- Department of Transportation (VDOT) relating to groundwater contamination

22. INSURANCE

A. Self-Insurance

The Commonwealth maintains two types of self-insurance plans. The first type of self-insurance is a health care plan administered by the Department of Human Resource Management for Commonwealth employees. The plan is accounted for in the Health Care Internal Service Fund. Interfund premiums are accounted for as internal activity receipts from other funds. At June 30, 2011, $81.5 million is reported as the estimated claims payable for this fund, which is undiscounted as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported as described in Note 1.T. Changes in the balances of claims liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2010-2011	$ 94,376	$ 904,861	$ (917,757)	$ 81,480
2009-2010	$ 104,911	$ 918,686	$ (929,221)	$ 94,376

(1) Of the balance shown above, $81.5 million is due within one year.

The second type of plan, Risk Management, is administered by the Department of the Treasury, Division of Risk Management and the Department of Human Resource Management, Worker's Compensation Program. These plans are accounted for in the Risk Management Internal Service Fund. The Department of the Treasury administers risk management programs providing property, general (tort) liability, medical malpractice, automobile and surety bond exposures for the Commonwealth of Virginia as provided in Sections 2.2-1834 through 1838 and Section 2.2-1840 of the *Code of Virginia*. Established subject to the approval of the Governor, risk management plans provide state agencies with protection through purchased insurance, self-insurance or a combination thereof. Interfund premiums for the fund are accounted for as internal activity receipts from other funds. The claims payable is an estimated liability based upon actual claims that have been submitted as well as actuarially determined claims incurred but not reported. At June 30, 2011, $488.2 million is reported as the estimated claims payable for the risk management plan. This amount is discounted to present value at a rate of three percent. Undiscounted claims payable at June 30, 2011, is $582.9 million. The estimated losses are based upon actual claims that have been submitted, as well as claims incurred but not reported. Changes in the balances of claims

liabilities (dollars in thousands) during the current and prior fiscal years are as follows:

	Balance July 1,	Current Year Claims and Changes in Estimates	Claim Payments	Balance June 30, (1)
2010-2011	$ 444,467	$ 112,138	$ (68,417)	$ 488,188
2009-2010	$ 409,056	$ 101,793	$ (66,382)	$ 444,467

(1) Of the balance shown above, $76.2 million is due within one year.

For workers' compensation, the Commonwealth assumes the full risk of claims filed. For tort and automobile, liability is assumed at a maximum of $2,000,000 per occurrence. Medical malpractice liability is assumed at the maximum of $2,000,000 per occurrence recovery limit stated in Section 8.01-581.15 of the *Code of Virginia*. Risk Management purchases commercial insurance to protect state-owned property with deductibles as stated in the insurance policies.

The Commonwealth has not had any insurance settlements exceed the coverage during the past three years.

The Virginia Commonwealth University Health System Authority (Authority) (a blended component unit of the Virginia Commonwealth University – major component unit) is self-insured for medical malpractice and provides for the liability on an undiscounted basis, based on the ultimate cost of known claims and claims incurred but not yet reported. The Authority is also self-insured for workers' compensation and provides for the liability on a blended discounted and undiscounted basis, based on the ultimate cost of known claims and claims incurred but not yet reported. These liabilities include assumptions and factors related to the frequency and severity of claims, claims development history, and claims settlement practices. Estimated losses on malpractice and workers' compensation claims for the current and prior fiscal years are as follows (dollars in thousands):

Estimated Malpractice Losses

	Balance July 1,	Claims Expense (2)	Claims Settled	Balance June 30, (1)
2010-2011	$ 26,910	$ (727)	$ (2,682)	$ 23,501
2009-2010	$ 30,415	$ 788	$ (4,293)	$ 26,910

(1) Of the balance shown above, $4.0 million is due within one year.
(2) This column represents malpractice claims expense, net of actuarial adjustments.

Estimated Workers' Compensation Losses

	Balance July 1,	Claims Expense	Claims Settled	Balance June 30, (1)
2010-2011	$ 17,007	$ 3,397	$ (1,995)	$ 18,409
2009-2010	$ 16,334	$ 3,383	$ (2,710)	$ 17,007

(1) Of the balance shown above, $2.2 million is due within one year.

In addition, expenses and liabilities arising from services rendered to VA Premier's Plan (component unit of the Authority) HMO members are reported when it is probable that services have been provided and the amount of the claim can be reasonably estimated. The claims payable includes an estimate of claims that have been incurred but not reported. At June 30, 2011 the amount of these liabilities is $49,075,641 and is reported as Claims Payable – Due within One Year. This liability is VA Premier's best estimate based on available information.

Additional information on the claims payable amounts reported by the Authority can be found in the individually published financial statements of the Authority.

Virginia International Terminals, Inc., a component unit of the Virginia Port Authority (nonmajor component unit) is partially self-insured for certain workers' compensation claims. The Authority maintains insurance coverage of $5,000,000 per claim, but is obligated to pay the first $1,000,000 of any individual's claims per incident. The Authority is also partially self-insured for employee health coverage. The Authority is responsible for actual claim costs up to $125,000 per individual per calendar year. Insurance coverage is maintained for claims in excess of the individual employee limit and for aggregate claims in excess of $5,349,751.

B. Public Entity Risk Pools

The Commonwealth administers two types of public entity risk pools for the benefit of local governmental units: health care and risk management insurance. The Local Choice Health Care plan was established to make comprehensive health care insurance available to localities and political subdivisions at affordable rates and with stable premiums. During the fiscal year, there were 277 local government units participating in the pool. This includes 28 school districts, 34 counties, 98 cities/towns, and 117 other subdivisions. This program is accounted for in the Local Choice Health Care Enterprise Fund (nonmajor).

The Department of Human Resource Management, under Section 2.2-1204 of the *Code of Virginia*, has the authority to design, set rates, and administer the Local Choice Health Care fund. The pool's standard contract period is one year. However, a member group may withdraw on the last day of any month with three month's written notice. Contributions are based on the current necessary contribution and the amortization of experience adjustments in the pool. At June 30, 2011, $18.7 million is reported as the actuarially determined estimated claims payable for this fund based on claims incurred but not reported.

The actuarial liability is determined for the membership pool in total and then adjusted for each locality based on individual historic and demographic data. If the pool's assets were to be exhausted, the program participants would share the responsibility for any liabilities or deficits.

The Department of the Treasury, Division of Risk Management administers risk management programs for political subdivisions, constitutional officers and others in accordance with Section 2.2-1839 of the *Code of Virginia*. These pools were established to provide an economical, low-cost alternative to the commercial insurance market for the Commonwealth's political subdivisions. These risk programs are accounted for in the Risk Management Enterprise Fund (nonmajor). The pool is established subject to approval by the Governor. It may be insurance, self-insurance, or any combination thereof, and must provide protection and legal defense against liability. Local participation is voluntary and open to any political subdivision. As of June 30, 2011, there were 520 units of local government in the pool, including 4 cities, 36 towns, and 32 counties. The remaining 448 units include a large variety of boards, commissions, authorities, and special districts.

The pool has a minimum membership period of one year. However, a member group can cancel their membership and withdraw from the plan on their coverage anniversary date or at the end of the fiscal year with 30 days notice.

The pool is actuarially valued annually and is considered sound. Investment income is considered in the anticipation of premium deficiencies. No excess insurance or reinsurance is provided, but a "stability fund" is incorporated into the actuarially determined required reserves. If, however, the plan assets and reserves were to be exhausted, the members would be responsible for any deficits or liabilities. For the liability insurance pool, participation is voluntary and open to those identified in Section 2.2-1839 of the *Code of Virginia*. The risk assumed by the local public entity pool for member liability is $1,000,000 per occurrence.

At June 30, 2011, $18.6 million is reported as estimated claims payable for these programs. This figure is actuarially determined for the fund in total and is reported at gross and does not reflect possible reimbursements for insurance recoveries.

The following schedule (dollars in thousands) shows the changes in claims liabilities for the past two fiscal years.

	Local Choice Health Care		Risk Management	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Unpaid Claims and Claim Adjustment Expenses at Beginning of Fiscal Year	$ 22,874	$ 23,607	$ 16,309	$ 14,550
Incurred Claims and Claim Adjustment Expenses:				
Provision for Insured Events of the Current Fiscal Year	212,233	221,273	1,473	(498)
Changes in Provision for Insured Events of Prior Fiscal Years	-	-	757	1,274
Total Incurred Claims and Adjustment Expenses	212,233	221,273	2,230	776
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	216,451	222,006	396	412
Total Payments	216,451	222,006	396	412
Change in Provision for Discounts	-	-	412	375
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Discounted) (1) (2) (3)	$ 18,656	$ 22,874	$ 18,555	$ 15,289
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year (Undiscounted)	$ 18,656	$ 22,874	$ 19,799	$ 16,309

Note (1): The entire balance for Local Choice Health Care, $18,656 (dollars in thousands) is due within one year.

Note (2): Of the balance shown above for Risk Management, $5,930 (dollars in thousands) is due within one year.

Note (3): The interest rate used for discounting is 3.0 percent.

23. ACCOUNTS PAYABLE

The following table (dollars in thousands) summarizes Accounts Payable as of June 30, 2011.

	Vendor	Salary/ Wage	Retainage	Other	Foundations (1)	Total
Primary Government:						
General	$ 163,974	$ 87,601	$ 142	$ -	$ -	$ 251,717
Major Special Revenue Funds:						
Commonwealth Transportation	204,567	27,504	5,699	-	-	237,770
Federal Trust	110,887	16,300	207	-	-	127,394
Literary	27	-	-	-	-	27
Nonmajor Governmental Funds	19,478	26,399	6,235	187	-	52,299
Major Enterprise Funds:						
State Lottery (2)	4,759	952	-	3,492	-	9,203
Virginia College Savings Plan (2)	39	349	-	77	-	465
Unemployment Compensation	162	-	-	-	-	162
Nonmajor Enterprise Funds	22,207	4,150	-	-	-	26,357
Internal Service Funds	50,006	2,697	-	-	-	52,703
Private Purpose Trust Funds	1,216	136	-	-	-	1,352
Pension and Other Employee Benefit Trust (3)	453	1,729	-	36,691	-	38,873
Agency Funds	1,941	-	-	2,002	-	3,943
Total Primary Government (4)	$ 579,716	$ 167,817	$ 12,283	$ 42,449	$ -	$ 802,265
Discrete Component Units:						
Virginia Housing Development Authority	$ 1,279	$ 1,136	$ -	$ 9,831	$ -	$ 12,246
Virginia Public School Authority	917	-	-	-	-	917
University of Virginia	86,806	51,051	895	4,250	58,151	201,153
Virginia Polytechnic Institute and State University	62,414	48,104	4,200	-	12,062	126,780
Virginia Commonwealth University	62,005	79,976	306	-	1,605	143,892
Nonmajor Component Units	166,916	150,429	33,283	8,575	24,142	383,345
Total Component Units	$ 380,337	$ 330,696	$ 38,684	$ 22,656	$ 95,960	$ 868,333

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Note (2): Other Accounts Payable for the State Lottery represents administrative costs payable. Other Accounts Payable for the Virginia College Savings Plan represents investment fees payable.

Note (3): Other Accounts Payable for the Pension and Other Employee Benefit Trust Fund consists of $25,633 (dollars in thousands) in investment management expense, $11,030 (dollars in thousands) in program benefit liabilities, and $28 (dollars in thousands) of other investment payables generally related to Futures and month-end rebalancing items.

Note (4): Fiduciary liabilities of $44,168 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. In addition, governmental fund liabilities of $84,213 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

24. OTHER LIABILITIES

The following table (dollars in thousands) summarizes Other Liabilities as of June 30, 2011.

	Primary Government				
	General	Commonwealth Transportation	Federal Trust	Nonmajor Governmental Funds	State Lottery
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ 51,839
Due to Program Participants, Escrows, and Providers	-	-	-	-	-
Medicaid Payable	228,941	-	230,450	-	-
Family Access to Medical Insurance Security Payable	1,642	-	3,050	-	-
Tax Refunds Payable	423,383	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	4,001	7,041	-	1,663	-
Car Tax Payable	263,025	-	-	-	-
Title XII Federal Advances	-	-	-	-	-
Other Liabilities	61	1	9	503	-
Total Other Liabilities	$ 921,053	$ 7,042	$ 233,509	$ 2,166	$ 51,839

	Primary Government				
	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds (1)	Private Purpose Funds
Lottery Prizes Payable	$ -	$ -	$ -	$ -	$ -
Due to Program Participants, Escrows, and Providers	67	28,584	-	-	31
Medicaid Payable	-	-	-	-	-
Family Access to Medical Insurance Security Payable	-	-	-	-	-
Tax Refunds Payable	-	-	-	-	-
Insurance Carrier Surety Deposit	-	-	-	-	-
Deposits Pending Distribution	-	-	179	140	-
Car Tax Refund Payable	-	-	-	-	-
Title XII Federal Advances	-	182,219	-	-	-
Other Liabilities	-	-	123	5,047	-
Total Other Liabilities	$ 67	$ 210,803	$ 302	$ 5,187	$ 31

Note (1): The Other Liabilities amount of $5,047 (dollars in thousands) is due to third party clearing amounts that have increased from the prior year due to timing issues with checks clearing the bank.

	Primary Government		
	Pension and Other Employee Benefit Trust Funds (2)	Agency Funds	Total Primary Government (3)
Lottery Prizes Payable	$ -	$ -	$ 51,839
Due to Program Participants, Escrows, and Providers	-	34,545	63,227
Medicaid Payable	-	-	459,391
Family Access to Medical Insurance Security Payable	-	-	4,692
Tax Refunds Payable	-	-	423,383
Insurance Carrier Surety Deposit	-	434,129	434,129
Deposits Pending Distribution	-	41,208	54,232
Car Tax Refund Payable	-	-	263,025
Title XII Federal Advances	-	-	182,219
Other Liabilities	197,594	2,013	205,351
Total Other Liabilities	$ 197,594	$ 511,895	$ 2,141,488

Note (2): Other Liabilities of $197,594 (dollars in thousands) reported in pension and other employee benefit trust funds are made up of $29,808 (dollars in thousands) in funds held for the Commonwealth Health Research Fund; $12,111 (dollars in thousands) in other funds managed by the System; $150,411 (dollars in thousands) in pending investment transactions, including $104,190 (dollars in thousands) for investment overlay and swaps, $30,000 (dollars in thousands) for securities lending, $16,063 (dollars in thousands) for net foreign exchange contracts, $158 (dollars in thousands) in other investment payables; $949 (dollars in thousands) in other payable related to the System benefit plans; $3,455 (dollars in thousands) in foreign taxes payables related to the System benefit plans, and $860 (dollars in thousands) in interest and dividends payable related to the System benefit plans.

Note (3): Fiduciary liabilities of $709,520 (dollars in thousands) are not included in the Government-wide Statement of Net Assets. Governmental fund liabilities of $553,515 (dollars in thousands) are included in the Government-wide Statement of Net Assets, but excluded from the above amounts.

	Component Units				
	Virginia Housing Development Authority	Virginia Public School Authority	University of Virginia (4)	Virginia Polytechnic Institute & State University	Virginia Commonwealth University (4)
Accrued Interest Payable	$ 98,798	$ 59,513	$ 5,711	$ 4,013	$ 5,022
Other Liabilities	2,238	20	89,095	27,337	105,257
Deposits Pending Distribution	-	-	449,260	14,669	29,757
Short-term Debt	-	-	115,850	870	-
Grants Payable	-	-	-	-	-
Total Other Liabilities	$ 101,036	$ 59,533	$ 659,916	$ 46,889	$ 140,036

	Component Units	
	Nonmajor Component Units	Total Component Units
Accrued Interest Payable	$ 132,055	$ 305,112
Other Liabilities	41,726	265,673
Deposits Pending Distribution	30,059	523,745
Short-term Debt	13,015	129,735
Grants Payable	10,134	10,134
Total Other Liabilities	$ 226,989	$ 1,234,399

Note (4): Other Liabilities of $11,123 (dollars in thousands) for the University of Virginia and $39,596 (dollars in thousands) for the Virginia Commonwealth University represent hedging derivative instruments reported in accordance with GASBS No. 53 (see Note 13 for additional information).

Medicaid Payable

Medicaid Payable represents services rendered but not billed by providers and potential liability resulting from cost reports not settled as of year-end. Providers subject to cost settlement are paid in the interim based on established per diem or diagnosis related group rates for services.

The Department of Medical Assistance Services (DMAS) estimates, based on past experience, the total amount of Medicaid claims that will be paid from the Medicaid program in the future which relate to services provided before year-end. At June 30, 2011, the estimated liability related to Medicaid claims totaled $459.4 million. Of this amount, $228.9 million is reflected in the General Fund (major) and $230.5 million in the Federal Trust Special Revenue Fund (major).

Family Access to Medical Insurance Security Payable

DMAS estimates the total amount of claims that will be paid from the Family Access to Medical Insurance Security program in the future which relate to services provided before year-end. At June 30, 2011, the estimated liability related to claims totaled $4.7 million. Of this amount, $1.6 million is reflected in the General Fund (major) and $3.1 million in the Federal Trust Special Revenue Fund (major).

Tax Refunds Payable

Tax refunds payable represent refunds due on individual tax returns filed for the calendar year ended on or before December 31, 2010, and on business tax returns filed for corporate fiscal years ending on or before June 30, 2011. The individual tax return filing deadline is May 1 of each year for the preceding calendar year. The corporate tax return filing deadline is the 15th day of the fourth month following the close of the corporate fiscal year.

Car Tax Refund Payable

During the year ended June 30, 1998, the General Assembly passed the Personal Property Tax Relief Act. Under the terms of this legislation, the Commonwealth assumed financial responsibility for a portion, ranging from 12.5 percent to 70.0 percent, of the personal property taxes assessed by localities.

During 2004, the General Assembly modified this legislation. Chapter 1 of Special Session 1 (2004) established a $950.0 million limit on the amount the Commonwealth would appropriate for personal property tax relief, beginning in tax year 2006. It further established that each county, city, and town would receive a fixed percentage of the $950.0 million, with payments to begin on or after July 1, 2006 (fiscal year 2007). The accrued liability amount of $263.0 million reflects payments owed to localities as of June 30 and paid in July.

Title XII Federal Advances

The Virginia Unemployment Trust Fund became insolvent during fiscal year 2010. As a result, the Virginia Employment Commission obtained Federal repayable advances under Title XII of the Social Security Act which enabled the Fund to continue payments of benefits and cover increased unemployment claims payments. As of June 30, 2011, the outstanding balance of the advances is $182.2 million.

Termination Benefits

As of June 30, 2011, the Commonwealth had laid off 50 employees. The affected employees had the option of volunteering for enhanced retirement benefits or severance benefits. The enhanced retirement benefits option was elected by 6 employees, and the remaining 44 employees elected severance benefits. The severance benefits include salary payments based on years of service and insurance premium payments for health and life insurace. All severance benefits were initiated during fiscal year 2011 and will end no later than June 30, 2012. The benefit cost expended and the outstanding liability as of June 30, 2011, is $740,811 and $282,320 respectively. Since the severace benefits last for a maximum of 12 months, discounting of future cash flows is unnecessary. Additionally, the estimated payments are calculated using the Department of Human Resources' Termination Benefits Calculator and actual costs.

Short-term Debt

Short-term debt results from borrowings from anticipation notes, lines of credit, and similar loans with parties external to the primary government. The primary government's policy is to disclose activity related to short-term borrowings occurring during the fiscal year. For fiscal year 2011, the primary government's agencies did not participate in short-term borrowings with external parties.

Various higher education institutions' foundations (component units) have short-term debt. University of Virginia Foundations (major component unit) report $39.0 million and nonmajor component unit foundations report approximately $13.0 million. This short-term debt is for working capital, property acquisition, construction costs, and operating costs. The University of Virginia (major component unit) has commercial paper of approximately $76.8 million and the Virginia Polytechnic Institute and State University (major component unit) reports approximately $0.9 million of commercial paper that provides bridge financing for capital projects. The Virginia Horse Center Foundation (nonmajor component unit) has a $44,000 note with a related party. This note has been paid in full during fiscal year 2011. The Library of Virginia Foundation (nonmajor component unit) has a $60,000 note with a related party. During the year ended June 30, 2011, $10,000 of the loan was forgiven and has been recognized as a contribution.

The balance of Other Liabilities is spread among various other funds.

25. LONG–TERM LIABILITIES

Commonwealth bonds are issued pursuant to Section 9 of Article X of the *Constitution of Virginia*. Section 9(a) bonds have been issued to redeem previous debt obligations. Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations. Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(a), 9(b), and 9(c) bonds are tax-supported general obligation bonds and are backed by the full faith, credit, and taxing power of the Commonwealth. No other long-term debt or obligations are backed by the full faith, credit, and taxing power of the Commonwealth.

Section 9(d) bonds are revenue bonds and are not backed by the full faith, credit and taxing power of the Commonwealth. These bonds are not general obligation bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt may be supported by state appropriations in whole or in part, as in the case of certain debt of the Virginia Port Authority (nonmajor component unit). Other 9(d) revenue bonds are payable from general revenues of the component units, or from revenues of specific revenue-producing capital projects such as the teaching hospitals, dormitories, student centers, and dining halls at the various colleges and universities (component units). Additionally, the 9(d) Transportation Bonds (primary government) are payable solely from revenues or earnings, and other available sources of funds appropriated by the General Assembly.

Certain 9(d) bonds are considered, with 9(a), 9(b), and 9(c) bonds, to be tax-supported debt of the Commonwealth. Tax-supported debt includes all bond issues and short-term debt supported by tax revenues (net of sinking fund requirements), for which debt service payments are made or are ultimately pledged to be made from general governmental funds.

Other 9(d) revenue bonds are considered debt not supported by taxes. For this debt, the Commonwealth has no direct or indirect pledge of tax revenues. However, in some cases, the Commonwealth has made a moral obligation pledge. A government's moral obligation pledge provides a deficiency make-up for bondholders should underlying project revenues prove insufficient. The mechanics involve funding a debt service reserve fund when the bonds are issued. If a revenue deficiency exists, reserve fund monies are used to pay bondholders. The issuer then informs the legislative body requesting that it replenish the reserve fund before subsequent debt service is due. The legislative body may, but is not legally required to, replenish the reserve fund. These bonds are considered to be moral obligation debt.

The following schedule presents the total long-term liabilities of the Commonwealth, and the portion of these amounts which are due within one year, as reported on the Government-wide Statement of Net Assets.

Total Long-term Liabilities
June 30, 2011

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Primary Government:		
Governmental Activities:(1)		
General Obligation Bonds: (2)		
9(b) Public Facilities (3)	$ 914,574	$ 78,721
9(c) Parking Facilities (3)	19,445	740
9(c) Transportation Facilities (3)	26,355	2,080
Total General Obligation Bonds	960,374	81,541
Nongeneral Obligation Bonds - 9(d):		
Transportation Debt (3) (4)	2,283,251	160,125
Virginia Public Building Authority (3)	2,418,513	169,340
Total Nongeneral Obligation Bonds	4,701,764	329,465
Other Long-term Obligations:		
Pension Liability	1,405,714	-
OPEB Liability	301,771	-
Compensated Absences	311,523	159,950
Capital Lease Obligations	87,219	11,006
Pollution Remediation Obligations	4,772	749
Regional Jail Financing Payable	4,617	1,869
Notes Payable	70,295	20,605
Installment Purchase Obligations	101,014	7,952
Economic Development Authority Obligations (3)	85,827	3,875
Other Liabilities	24,308	3,900
Total Other Long-term Obligations	2,397,060	209,906
Total Governmental Activities (3)	8,059,198	620,912
Business-type Activities: (1) (5)		
Other Long-term Obligations:		
Pension Liability	34,054	-
OPEB Liability	9,099	-
Compensated Absences	9,044	5,098
Capital Lease Obligations	918	469
Tuition Benefits Payable	2,215,261	177,955
Lottery Prizes Payable	216,408	41,416
Total Other Long-term Obligations	2,484,784	224,938
Total Business-type Activities	2,484,784	224,938
Total Primary Government	10,543,982	845,850

Total Long-term Liabilities

June 30, 2011

(Dollars in Thousands)	Balance At June 30	Amount Due Within One Year
Component Units:		
General Obligation Bonds: (2)		
Higher Education Fund - 9(c) Bonds (3)	765,280	40,821
Nongeneral Obligation Bonds:		
Higher Education Institutions - 9(d) (3) (5)	1,450,714	22,834
Virginia College Building Authority (3)	1,909,586	124,340
Innovation and Entrepreneurship Investment Authority	3,465	1,090
Virginia Port Authority (3) (6)	470,569	13,082
Virginia Housing Development Authority (3) (5)	6,438,200	288,402
Virginia Resources Authority (3) (7)	2,744,403	107,801
Virginia Public School Authority (3) (5)	3,215,448	220,448
Hampton Roads Sanitation District Commission (5)	560,996	18,229
Virginia Biotechnology Research Park Authority (3) (8)	41,080	3,048
Foundations (5) (9)	866,679	24,849
Total Nongeneral Obligation Bonds	17,701,140	824,123
Other Long-term Obligations:		
Pension Liability (10)	644,481	-
OPEB Liability (11)	342,066	-
Compensated Absences	248,149	167,919
Capital Lease Obligations	119,519	5,941
Notes Payable (5)	2,403,627	669,891
Installment Purchase Obligations	118,277	17,655
Trust and Annuity Obligations (5) (12)	2,376	-
Other Liabilities (5)	335,307	83,242
Total Other Long-term Obligations (Excluding Foundations)	4,213,802	944,648
Other Long-term Obligations (Foundations): (5) (9)		
Pension Liability	76,652	-
OPEB Liability	28	-
Compensated Absences	11,045	9,658
Capital Lease Obligations	128	50
Notes Payable	214,456	41,569
Trust and Annuity Obligations (12)	77,118	2,741
Other Liabilities	109,671	1,506
Total Other Long-term Obligations - Foundations	489,098	55,524
Total Other Long-term Obligations	4,702,900	1,000,172
Total Component Units	23,169,320	1,865,116
Total Long-term Liabilities	$ 33,713,302	$ 2,710,966

1. Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
2. Total general obligation debt of the Commonwealth is $1.73 billion.
3. Amounts are net of any unamortized discounts, premiums, and deferrals.
4. This debt includes $274.7 million that is not supported by taxes.
5. This debt is not supported by taxes.
6. This debt includes $284.6 million that is not supported by taxes.
7. This debt is not supported by taxes; however, $684.0 million from VRA is considered moral obligation debt.
8. This debt includes $1.1 million that is not supported by taxes.
9. Foundations represent FASB reporting entities defined in Note 1.B.
10. This includes pension obligations that do not relate to the Virginia Retirement System from Virginia Commonwealth University of $4.1 million and Virginia Port Authority of $3.6 million. It does not include pension obligations from fiduciary funds of $8.9 million.
11. This includes OPEB obligations that do not relate to the Virginia Retirement System from University of Virginia of $18.9 million, and Virginia Port Authority of $130,198. It does not include OPEB obligations from fiduciary funds of $2.7 million.
12. These generally represent split-interest agreements that represent donor contributed assets with the requirement that an annual distribution be made to the donor or specified beneficiary. The annual distributions are usually for a fixed dollar amount or a fixed percentage of the trust's fair market value. The present value of these commitments is reported as Trust and Annuity Obligations.

Primary Government

Transportation Facilities Debt

Transportation Facilities Bonds include $26,354,667 of Section 9(c) general obligation bonds and $2,008,600,982 of Section 9(d) revenue bonds. The Transportation Facilities Section 9(d) debt of $2,283,250,626 includes $274,649,644 of outstanding Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes in addition to the outstanding Section 9(d) revenue bonds. 9(b) Principal and interest requirements for the current year totaled $6,310,500. 9(c) Principal and interest requirements for the current year totaled $3,187,600. 9(d) Principal and interest requirements for the current year totaled $281,535,676. The Section 9(b) Transportation Facilities bonds represent Powhite Refunding Bonds, which were retired in full during the current year. The Section 9(c) Transportation Facilities Bonds were issued to fund the construction and improvement of the George P. Coleman Bridge. The Section 9(d) Transportation Facilities Bonds were issued to fund the construction of State Route 28, U.S. Route 58, the Northern Virginia Transportation District Program, and the Oak Grove Connector (Chesapeake). The Commonwealth of Virginia Federal Highway Reimbursement Anticipation Notes were issued to finance various capital transportation projects throughout the Commonwealth. The interest rates for these bonds range from 2.00 percent to 5.95 percent and the issuance dates range from October 10, 2001, to May 15, 2011.

The following schedules detail the annual funding requirements necessary to amortize Transportation Facilities 9(c) bonds and 9(d) debt. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35 percent interest subsidy to reimburse interest payments of $135,045,895 for Build America Bonds (BABs) issued. The BABs are applicable to Commonwealth of Virginia Transportation Series 2010A Capital Project Revenue Bonds and Series 2009A Northern Virginia Transportation District Revenue Bonds.

9(c) TRANSPORTATION FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 2,080,000	$ 1,113,850	$ 3,193,850
2013	2,185,000	1,009,850	3,194,850
2014	2,290,000	900,600	3,190,600
2015	2,405,000	786,100	3,191,100
2016	2,520,000	665,850	3,185,850
2017-2021	14,205,000	1,749,000	15,954,000
Less: Deferral on Debt Defeasance	(50,000)	-	(50,000)
Add: Unamortized Premium	719,667	-	719,667
Total	$ 26,354,667	$ 6,225,250	$ 32,579,917

9(d) TRANSPORTATION FACILITIES DEBT
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 160,125,000	$ 100,562,154	$ 260,687,154
2013	175,555,000	93,462,898	269,017,898
2014	120,315,000	86,404,285	206,719,285
2015	126,180,000	80,422,604	206,602,604
2016	132,280,000	74,122,403	206,402,403
2017-2021	492,109,776	293,137,814	785,247,590
2022-2026	352,469,196	197,214,352	549,683,548
2027-2031	291,960,275	120,550,975	412,511,250
2032-2036	306,569,420	43,353,220	349,922,640
Less: Unamortized Discount	(114,846)	-	(114,846)
Deferral on Debt Defeasance	(2,507,300)	-	(2,507,300)
Add: Accretion on Capital Appreciation Bonds	19,864,668	-	19,864,668
Unamortized Premium	108,444,437	-	108,444,437
Total	$ 2,283,250,626	$ 1,089,230,705	$ 3,372,481,331

Fairfax Economic Development Authority Obligations

In fiscal year 2006, the Fairfax County Economic Development Authority (EDA) issued Section 9(d) revenue bonds to pay for the Commonwealth's (VDOT) costs of the planning, design and construction of a transportation infrastructure and related public safety operations complex to be developed on the contiguous sites in the county commonly referred to as "Camp 30" for the joint use of VDOT and the county. The Commonwealth's obligation is set out in a payment agreement between Fairfax County EDA and the Commonwealth of Virginia, Department of Transportation, in which the Commonwealth agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 4.25 percent to 5.00 percent and the issue date was April 12, 2006. The principal and interest requirements for current year totaled $7,827,688. The following schedule details the annual funding requirements necessary to repay these bonds.

FAIRFAX COUNTY ECONOMIC DEVELOPMENT AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 3,875,000	$ 3,953,188	$ 7,828,188
2013	4,070,000	3,759,438	7,829,438
2014	4,270,000	3,555,938	7,825,938
2015	4,485,000	3,342,438	7,827,438
2016	4,710,000	3,118,188	7,828,188
2017-2021	27,220,000	11,925,288	39,145,288
2022-2026	34,145,000	4,995,950	39,140,950
Add: Unamortized Premium	3,051,622	-	3,051,622
Total	$ 85,826,622	$ 34,650,428	$ 120,477,050

Public Facilities Bonds

Section 9(b) general obligation bonds consist of Public Facilities Bonds, Series 2002 Refunding, Series 2003A Refunding, Series 2004A, Series 2004B Refunding, Series 2005A, Series 2006A Refunding, Series 2006B, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2008B Refunding, Series 2009A, Series 2009D Refunding, and Series 2009E. Bonds were issued to fund construction projects for higher educational institutions, mental health, and/or park facilities. The Series 2003A bonds were issued to advance refund outstanding Series 1993A and B, Series 1994, and Series 1996 bonds. The Series 2004B bonds were issued to advance refund outstanding Series 1997, Series 1998, and Series 1999A bonds. The Series 2006A bonds were issued to advance refund outstanding Series 1996 bonds. The Series 2008B bonds were issued to advance refund outstanding Series 1998 refunding bonds. The Series 2009D Bonds were issued to advance refund outstanding Series 2004A, Series 2005A, and Series 2006B bonds. Principal and interest requirements for the current year totaled $119,582,001. The interest rates for all bonds range from 1.2 percent to 5.5 percent and the issuance dates range from October 23, 2002, to October 21, 2009. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35 percent interest subsidy to reimburse interest payments of $6,159,472 for Build America Bonds (BABs) issued. The BABs are applicable to Series 2009E Public Facilities Revenue Bonds.

9(b) PUBLIC FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 78,721,071	$ 40,597,234	$ 119,318,305
2013	78,507,178	36,888,838	115,396,016
2014	73,465,000	33,226,925	106,691,925
2015	68,410,000	29,756,935	98,166,935
2016	60,815,000	26,477,835	87,292,835
2017-2021	249,855,000	94,293,179	344,148,179
2022-2026	214,520,000	38,625,306	253,145,306
2027-2031	49,195,000	3,588,438	52,783,438
Less: Deferral on Debt Defeasance	(16,210,000)	-	(16,210,000)
Add: Unamortized Premium	57,295,322	-	57,295,322
Total	$ 914,573,571	$ 303,454,690	$ 1,218,028,261

Parking Facilities Bonds

Section 9(c) general obligation bonds consist of Parking Facilities Bonds, 2002 Refunding, 2003A, 2004A, 2009B, and 2009D Refunding. The Series 2002 Refunding bonds were issued to advance refund outstanding Series 1996 and Series 1993 Refunding bonds. The Series 2004A bonds were issued to fund the renovation of the 9th and Franklin Street parking deck. The Series 2009B bonds were issued to fund the construction of a new 1,000 vehicle parking structure at 7th and Franklin Streets. The Series 2009D Refunding bonds were issued to advance refund outstanding Series 2004A and 2006B Refunding bonds. The interest rates for these bonds range from 2.5 percent to 5.5 percent and the issuance dates range from October 23, 2002, to October 21, 2009. Current year principal and interest requirements totaled $2,449,762.

The following schedule details the annual funding requirements necessary to repay these bonds.

9(c) PARKING FACILITIES BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 740,000	$ 852,055	$ 1,592,055
2013	770,000	819,855	1,589,855
2014	805,000	781,355	1,586,355
2015	845,000	746,355	1,591,355
2016	722,093	704,105	1,426,198
2017-2021	4,935,000	2,870,750	7,805,750
2022-2026	5,415,000	1,538,950	6,953,950
2027-2031	3,090,000	314,000	3,404,000
Less: Deferral on Debt Defeasance	(220,900)	-	(220,900)
Add: Unamortized Premium	2,343,387	-	2,343,387
Total	$ 19,444,580	$ 8,627,425	$ 28,072,005

Virginia Public Building Authority

Virginia Public Building Authority (VPBA) Section 9(d) bonds consist of Series 2001A, 2002A, 2003A Refunding, 2004A Refunding, 2004B, 2004C Refunding, 2004D Refunding, 2005A Refunding, 2005B Refunding, 2005C, 2005D, 2006A, 2006B, 2007A, 2008A Refunding, 2008B, 2009A, 2009B, 2009C, 2009D Refunding, 2010A, 2010B-1, 2010B-2, and 2010B-3 Refunding. All bonds were issued for the purpose of constructing, improving, furnishing, maintaining, and acquiring public buildings for the use of the Commonwealth and also to reimburse localities, regional jail authorities or other combination of localities under the Regional Jail Financing Program. The Series 2004C and 2005A bonds were issued to refinance certain capital lease obligations of the Commonwealth. The Series 2004D bonds were issued to advance refund outstanding Series 1997A, Series 1999B, and Series 2000A bonds. The Series 2005B bonds were issued to advance refund outstanding Series 1996A, Series 1998B, and Series 1999A bonds. The Series 2008A bonds were issued to advance refund outstanding series 1998A Refunding bonds. The Series 2009D bonds were issued to advance refund outstanding series 2001A and 2002A Revenue bonds. The Series 2010B-3 bonds were issued to advance refund outstanding series 2002A and 2004B Revenue bonds. The interest rates for all fixed rate bonds range from 2.0 percent to 5.75 percent and the issuance dates range from August 1, 2001, to October 26, 2010. The Series 2005D bonds are variable rate bonds and the rates are reset weekly by the remarketing agent. Current year principal and interest requirements totaled

$249,331,754. The following schedule details the annual funding requirements necessary to repay these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35 percent interest subsidy to reimburse interest payments of $114,003,148 for Build America Bonds (BABs) issued. The BABs are applicable to Series 2010 Revenue Bonds.

9(d) VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 169,340,000	$ 111,062,514	$ 280,402,514
2013	173,585,000	99,927,449	273,512,449
2014	164,430,000	91,703,920	256,133,920
2015	168,255,000	83,515,216	251,770,216
2016	164,995,000	75,568,494	240,563,494
2017-2021	616,355,000	281,262,938	897,617,938
2022-2026	530,730,000	151,334,222	682,064,222
2027-2031	333,195,000	39,092,669	372,287,669
Less: Deferral on Debt Defeasance	(22,200,636)	-	(22,200,636)
Add: Unamortized Premium	119,829,054	-	119,829,054
Total	$ 2,418,513,418	$ 933,467,422	$ 3,351,980,840

Regional Jail Financing Program

The Regional Jail Financing Program of the Commonwealth of Virginia Treasury Board was created during the 1993 Session of the General Assembly to establish a method of reimbursing localities, regional jail authorities or other combination of localities for a portion of the capital and financing costs of a jail project, made pursuant to Sections 53.1-80, 53.1-81, or 53.1-82 of the *Code of Virginia*. The General Assembly, upon recommendation from the Department of Planning and Budget, may determine to reimburse localities for approved capital costs over time through a contractual reimbursement agreement between the localities or authority and the Treasury Board. The Board of Corrections determines the amount of reimbursable capital costs. If approved for reimbursement over time, the Treasury Board determines the amount of reimbursable financing costs and calculates the periodic reimbursement payments.

In 1996, the General Assembly adopted legislation that authorized funding of jail project reimbursements through bonds issued by the Virginia Public Building Authority (VPBA). As of June 30, 1998, all future jail reimbursements were approved for funding through the VPBA as opposed to the Treasury Board. All reimbursements whether up front or over time, are subject to appropriation by the General Assembly. Current year principal and interest requirements totaled $2,635,689.

The following schedule details the annual funding requirements necessary to repay these obligations.

REGIONAL JAILS FINANCING
Financial Obligations to Maturity

Calendar Year Obligations	*Capital Costs*	*Financing Costs*	*Total*
2012	$ 1,869,189	$ 766,526	$ 2,635,715
2013	1,911,009	725,511	2,636,520
2014	837,165	(646,926)	190,239
Total	$ 4,617,363	$ 845,111	$ 5,462,474

Industrial Development Authority Obligations

In fiscal year 2002, the Newport News Industrial Development Authority (IDA) issued Section 9(d) revenue bonds to pay a portion of the cost of construction and equipping of the Virginia Advanced Shipbuilding and Carrier Integration Center for use by the Newport News Shipbuilding and Dry Dock Company. The Commonwealth's obligation is set out in a payment agreement between Newport News IDA and the Treasury Board, in which the Treasury Board agrees to make payments equal to the debt service from amounts appropriated by the General Assembly. The interest rates for these bonds range from 2.75 percent to 5.03 percent and the issue date was July 27, 2000. Current year principal and interest requirements totaled $5,291,625, which retired the outstanding principal in full.

Component Units

Higher Education Institution Bonds

Higher Education Institution Bonds are comprised of both 9(c) general obligation bonds and 9(d) revenue bonds. Section 9(d) bonds are from several sources as shown on the following schedule (dollars in thousands).

College and university bonds backed by pledge of general revenue or revenue from specific revenue-producing capital projects	$ 1,232,954
College and university debt backed exclusively by pledged revenues of an institution	217,760
Total Higher Education Institution 9(d) debt	$ 1,450,714

The interest rates for these bonds range from 0.04 percent to 6.2 percent and the issuance dates range from November 17, 1981, to October 27, 2010. The VCBA Series 2006B and 2006C bonds, the Virginia Commonwealth University Health System Authority (a blended component unit of the Virginia Commonwealth University) Series 2005 and 2008 bonds, and the UVA

Series 2003A bonds are variable rate bonds and the rates are reset weekly by the remarketing agent.

The following schedules detail the annual funding requirements necessary to amortize Higher Education Institution 9(c) and 9(d) bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive a 35 percent interest subsidy to reimburse interest payments of $426,241,481 for Build America Bonds (BABs) issued. The BABs are applicable to General Obligation Series 2010A Bonds, Series 2009F and 2010B 21st Century Virginia College Building Authority Education Facilities Bonds, and the University of Virginia's Series 2009 and 2010 General Revenue Bonds.

9(c) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 39,973,929	$ 33,943,320	$ 73,917,249
2013	44,247,822	32,035,278	76,283,100
2014	38,925,000	29,941,662	68,866,662
2015	41,550,000	28,029,462	69,579,462
2016	41,217,907	25,978,312	67,196,219
2017-2021	189,510,000	103,979,172	293,489,172
2022-2026	183,860,000	63,302,475	247,162,475
2027-2031	115,625,000	25,423,767	141,048,767
2032-2036	40,895,000	6,608,315	47,503,315
2037-2041	7,750,000	857,747	8,607,747
Less: Deferral on Debt Defeasance	(11,812,200)	-	(11,812,200)
Add: Unamortized Premium	33,537,234	-	33,537,234
Total	$ 765,279,692	$ 350,099,510	$ 1,115,379,202

9(d) HIGHER EDUCATION INSTITUTION BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 22,793,496	$ 55,922,214	$ 78,715,710
2013	23,677,379	55,161,647	78,839,026
2014	23,421,381	54,358,515	77,779,896
2015	24,480,503	53,499,906	77,980,409
2016	24,664,750	52,581,988	77,246,738
2017-2021	97,332,079	252,239,438	349,571,517
2022-2026	108,115,888	238,285,969	346,401,857
2027-2031	114,600,000	226,702,417	341,302,417
2032-2036	251,965,000	215,111,256	467,076,256
2037-2041	748,165,000	134,399,772	882,564,772
Less: Deferral on Debt Defeasance	(7,399,886)	-	(7,399,886)
Add: Unamortized Premium	18,898,416	-	18,898,416
Total	$ 1,450,714,006	$ 1,338,263,122	$ 2,788,977,128

9(d) VIRGINIA COLLEGE BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 116,005,000	$ 85,366,939	$ 201,371,939
2013	105,260,000	76,343,279	181,603,279
2014	109,940,000	71,537,703	181,477,703
2015	119,455,000	66,555,119	186,010,119
2016	116,055,000	61,626,033	177,681,033
2017-2021	513,050,000	239,221,256	752,271,256
2022-2026	467,515,000	134,174,612	601,689,612
2027-2031	287,820,000	35,370,901	323,190,901
Less: Deferral on Debt Defeasance	(15,994,400)	-	(15,994,400)
Add: Unamortized Premium	90,480,228	-	90,480,228
Total	$ 1,909,585,828	$ 770,195,842	$ 2,679,781,670

Various higher education institutions' foundations (component units) and a museum foundation (component unit) have bonds outstanding as of year-end. The purpose of a majority of these bonds is for construction, property acquisition, and defeasance of prior debt. The following schedule details the future principal payments.

FOUNDATIONS' BONDS (1)
Debt Service Requirements to Maturity

Maturity	*Principal*
2012	$ 24,849,267
2013	19,145,288
2014	31,683,029
2015	21,059,747
2016	24,639,774
Thereafter	745,301,426
Total	$ 866,678,531

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Innovation and Entrepreneurship Investment Authority

The Innovation and Entrepreneurship Investment Authority (IEIA) has issued Taxable Lease Revenue Bonds, Series 1989, and Series 1997 Refunding. The Series 1989 bonds were issued to cover a portion of the costs related to the construction of a software development center and office building. Series 1997 bonds were issued to advance refund $11.2 million of the outstanding 1989 bonds.

The 1989 bonds had an average interest rate of 10.3 percent and the 1997 bonds have an average interest rate of 7.4 percent. The bonds were issued on March 1, 1989, and May 1, 1997, respectively. The following schedule details the annual funding requirements necessary to amortize IEIA bonds.

9(d) INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 1,090,000	$ 260,568	$ 1,350,568
2013	1,155,000	178,600	1,333,600
2014	1,220,000	91,744	1,311,744
Total	$ 3,465,000	$ 530,912	$ 3,995,912

Virginia Port Authority

The Virginia Port Authority (VPA) has issued Section 9(d) revenue bonds and notes pursuant to powers provided to its board of commissioners by the *Code of Virginia*. The interest rates for these bonds range from 3.375 percent to 5.5 percent and the issuance dates range from July 23, 2002, to May 6, 2010. Series 2006A bonds were issued to advance refund $22.9 million of outstanding Series 1996 bonds. Series 2010 bonds were issued to currently refund in full the outstanding principal amount of the Authority's Series 2009 Bond Anticipation Note. The following schedule details the annual funding requirements necessary to amortize VPA bonds.

9(d) VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 12,330,000	$ 23,396,464	$ 35,726,464
2013	12,935,000	22,287,427	35,222,427
2014	13,575,000	21,647,812	35,222,812
2015	14,250,000	20,977,707	35,227,707
2016	14,995,000	20,225,657	35,220,657
2017-2021	80,415,000	89,130,362	169,545,362
2022-2026	100,995,000	67,105,278	168,100,278
2027-2031	97,955,000	41,056,226	139,011,226
2032-2036	77,585,000	20,638,138	98,223,138
2037-2041	34,990,000	3,938,500	38,928,500
Less: Deferral on Debt Defeasance	(807,507)	-	(807,507)
Add: Unamortized Premium	11,351,043	-	11,351,043
Total	$ 470,568,536	$ 330,403,571	$ 800,972,107

Virginia Housing Development Authority

The Virginia Housing Development Authority (VHDA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.184 percent to 8.18 percent and the origination dates range from January 6, 2001, to June 14, 2011. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 288,402,901	$ 303,387,947	$ 591,790,848
2013	279,490,000	292,668,198	572,158,198
2014	272,905,000	281,510,511	554,415,511
2015	269,910,000	270,100,156	540,010,156
2016	269,485,000	258,326,977	527,811,977
2017-2021	1,315,120,000	1,105,039,220	2,420,159,220
2022-2026	1,048,040,000	805,325,914	1,853,365,914
2027-2031	1,062,977,038	532,929,728	1,595,906,766
2032-2036	834,726,165	286,479,250	1,121,205,415
2037-2041	578,038,398	85,477,606	663,516,004
2042-2046	189,515,000	7,138,955	196,653,955
Add: Unamortized Premium	29,590,566	-	29,590,566
Total	$ 6,438,200,068	$ 4,228,384,462	$ 10,666,584,530

Virginia Resources Authority

The Virginia Resources Authority (VRA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 1.25 percent to 8.70 percent and the origination dates range from December 1, 1985, to June 11, 2011. The following schedule details the annual funding requirements necessary to amortize these bonds.

9(d) VIRGINIA RESOURCES AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 98,413,450	$ 122,738,482	$ 221,151,932
2013	107,546,100	118,755,037	226,301,137
2014	116,933,450	114,222,059	231,155,509
2015	124,740,000	109,309,157	234,049,157
2016	128,260,000	103,905,289	232,165,289
2017-2021	670,715,000	425,888,875	1,096,603,875
2022-2026	612,315,000	274,727,609	887,042,609
2027-2031	524,025,000	132,860,834	656,885,834
2032-2036	216,225,000	43,192,074	259,417,074
2037-2041	69,105,000	7,413,584	76,518,584
2042-2046	140,000	3,150	143,150
Less: Unaccreted Capital Appreciation Bonds	(41,500,573)	-	(41,500,573)
Add: Unamortized Premium	117,485,263	-	117,485,263
Total	$ 2,744,402,690	$ 1,453,016,150	$ 4,197,418,840

Virginia Public School Authority

The Virginia Public School Authority (VPSA) issued Section 9(d) revenue bonds. The interest rates for these bonds range from 0.05 percent to 5.95 percent, and the origination dates range from November 20, 1997, to June 28, 2011. The following schedule details the annual funding requirements necessary to amortize these bonds. Pursuant to the American Recovery and Reinvestment Act, the Commonwealth will receive an interest subsidy to reimburse interest payments of $110,146,163 for Qualified School Construction Bonds (QSCBs) issued. The QSCBs are applicable to Series 2010-1 and 2011-1 Revenue Bonds.

9(d) VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 220,095,000	$ 144,182,971	$ 364,277,971
2013	212,115,000	134,098,126	346,213,126
2014	209,130,000	124,156,238	333,286,238
2015	205,500,000	114,162,119	319,662,119
2016	205,444,060	104,106,307	309,550,367
2017-2021	915,793,003	379,977,841	1,295,770,844
2022-2026	665,570,000	190,678,254	856,248,254
2027-2031	494,465,000	47,084,114	541,549,114
2032-2036	48,330,000	5,919,050	54,249,050
2037-2041	2,100,000	88,394	2,188,394
Less:			
Deferral on			
Debt Defeasance	(84,428,200)	-	(84,428,200)
Add:			
Unamortized Premium	121,334,364	-	121,334,364
Total	$ 3,215,448,227	$ 1,244,453,414	$ 4,459,901,641

Hampton Roads Sanitation District Commission

The Hampton Roads Sanitation District Commission issued bonds under a Master Trust Indenture and a Trust Agreement dated December 1, 1993, and March 1, 2003. The interest cost for these bonds range from 2.38 percent to 5.86 percent. The following schedule details the annual funding requirements necessary to amortize these bonds.

HAMPTON ROADS SANITATION DISTRICT COMMISSION
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 18,229,000	$ 27,317,000	$ 45,546,000
2013	20,411,000	26,230,000	46,641,000
2014	21,706,000	24,857,000	46,563,000
2015	22,434,000	24,014,000	46,448,000
2016	21,907,000	23,136,000	45,043,000
2017-2021	88,911,000	104,706,000	193,617,000
2022-2026	101,749,000	83,509,000	185,258,000
2027-2031	108,498,000	57,911,000	166,409,000
2032-2036	96,836,000	31,134,000	127,970,000
2037-2041	60,315,000	5,925,000	66,240,000
Total	$ 560,996,000	$ 408,739,000	$ 969,735,000

Virginia Biotechnology Research Partnership Authority

The Virginia Biotechnology Research Partnership Authority issued Series 1999A, 1999B, 2001 and 2009 Commonwealth of Virginia Lease Revenue bonds. Coupon interest rates range from 3.0 percent to 6.4 percent. The Series 2005A Virginia Biotechnology Research Partnership Authority Lease Revenue Bonds were refinanced with VPBA Series 2009 bonds on October 1, 2009.

VIRGINIA BIOTECH RESEARCH PARTNERSHIP AUTHORITY
Debt Service Requirements to Maturity

Maturity	*Principal*	*Interest*	*Total*
2012	$ 3,005,000	$ 1,712,375	$ 4,717,375
2013	2,105,000	1,602,325	3,707,325
2014	3,560,000	1,510,950	5,070,950
2015	3,700,000	1,378,418	5,078,418
2016	3,525,000	1,231,950	4,756,950
2017-2021	20,085,000	3,689,325	23,774,325
2022-2026	4,640,000	116,000	4,756,000
Less:			
Unamortized			
Discount	(629,925)	-	(629,925)
Deferral on			
Debt Defeasance	(2,689,606)	-	(2,689,606)
Add:			
Unamortized Premium	3,779,270	-	3,779,270
Total	$ 41,079,739	$ 11,241,343	$ 52,321,082

Total principal outstanding at June 30, 2011, on all component unit bonds amounted to $18.5 billion.

The following schedule summarizes the changes in long-term liabilities:

Schedule of Changes in Long-term Debt and Obligations (1) (2)

(Dollars in Thousands)

	Balance July 1, 2010	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2011
Primary Government				
Governmental Activities:				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - 9(b) and 9(c):				
Public Facilities Bonds	$ 949,064	$ -	$ (75,575)	$ 873,489
Parking Facilities Bonds	18,855	-	(1,533)	17,322
Transportation Facilities Bonds	33,670	-	(7,985)	25,685
Add: Unamortized Premium	66,727	-	(6,369)	60,358
Less: Deferral on Debt Defeasance	(18,930)	2,450	-	(16,480)
Total General Obligation Bonds	1,049,386	2,450	(91,462)	960,374
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Transportation Facilities Bonds	1,758,374	600,000	(200,810)	2,157,564
Virginia Public Building Authority Bonds	2,186,365	333,600	(199,080)	2,320,885
Regional Jails Financing Payable	6,445	-	(1,828)	4,617
Industrial Development Authority Obligations	5,150	-	(5,150)	-
Economic Development Authority Obligations	86,465	-	(3,690)	82,775
Add: Unamortized Premium	186,396	71,104	(26,175)	231,325
Accretion on Capital Appreciation Bonds	17,129	-	2,736	19,865
Less: Unamortized Discount	(158)	-	43	(115)
Deferral on Debt Defeasance	(24,793)	5,530	(5,445)	(24,708)
Installment Purchase Obligations	73,950	42,219	(15,155)	101,014
Notes Payable - Virginia Public Broadcasting Board	2,990	-	(2,990)	-
Notes Payable - Transportation	8,000	-	-	8,000
Notes Payable - Aviation	1,623	-	(287)	1,336
Notes Payable - Tax Refund	81,278	-	(20,319)	60,959
Compensated Absences	320,912	1,631	(11,020)	311,523
Capital Lease Obligations	97,012	1,757	(11,550)	87,219
Pension Liability	1,147,163	259,445	(894)	1,405,714
OPEB Liability	214,943	95,916	(9,088)	301,771
Pollution Remediation Liability	4,019	2,122	(1,369)	4,772
Other	26,041	2,131	(3,864)	24,308
Total Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	6,199,304	1,415,455	(515,935)	7,098,824
Total Governmental Activities	7,248,690	1,417,905	(607,397)	8,059,198
Business-type Activities:				
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Installment Purchase Obligations	187	-	(187)	-
Capital Lease Obligations	1,407	-	(489)	918
Obligations:				
Compensated Absences	9,130	2,199	(2,285)	9,044
Pension Liability	26,379	7,675	-	34,054
OPEB Liability	5,779	3,320	-	9,099
Lottery Prizes Payable	250,754	5,138	(39,484)	216,408
Tuition Benefits Payable	2,095,958	245,539	(126,236)	2,215,261
Total Business-type Activities	2,389,594	263,871	(168,681)	2,484,784
Total Primary Government	$ 9,638,284	$ 1,681,776	$ (776,078)	$ 10,543,982

Foundations (4)	Balance June 30, 2011	Due Within One Year
$ -	$ 873,489	$ 78,721
-	17,322	740
-	25,685	2,080
-	60,358	-
-	(16,480)	-
-	960,374	81,541
-	2,157,564	160,125
-	2,320,885	169,340
-	4,617	1,869
-	-	-
-	82,775	3,875
-	231,325	-
-	19,865	-
-	(115)	-
-	(24,708)	-
-	101,014	7,952
-	-	-
-	8,000	-
-	1,336	286
-	60,959	20,319
-	311,523	159,950
-	87,219	11,006
-	1,405,714	-
-	301,771	-
-	4,772	749
-	24,308	3,900
-	7,098,824	539,371
-	8,059,198	620,912
-	-	-
-	918	469
-	9,044	5,098
-	34,054	-
-	9,099	-
-	216,408	41,416
-	2,215,261	177,955
-	2,484,784	224,938
$ -	$ 10,543,982	$ 845,850

Continued on next page

Schedule of Changes in Long-term Debt and Obligations (1) (2)
(continued)

(Dollars in Thousands)

	Balance July 1, 2010	Issuances and Other Increases	Retirements and Other Decreases	Subtotal June 30, 2011
Component Units				
Long-term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
General Obligation Bonds - Higher Education 9(c) (3)	$ 631,275	$ 175,478	$ (41,473)	$ 765,280
Long-term Debt/Obligations Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Bonds (3)	16,650,660	1,645,386	(1,461,585)	16,834,461
Installment Purchase Obligations	141,026	10,098	(32,847)	118,277
Capital Lease Obligations	104,489	22,804	(7,774)	119,519
Notes Payable	2,034,214	727,400	(357,987)	2,403,627
Compensated Absences	238,916	221,649	(212,416)	248,149
Pension Liability	506,555	142,454	(4,528)	644,481
OPEB Liability	218,745	123,323	(2)	342,066
Trust and Annuity Obligations	1,535	841	-	2,376
Other	338,411	1,022,500	(1,025,604)	335,307
Total Component Units	$ 20,865,826	$ 4,091,933	$ (3,144,216)	$ 21,813,543

(1) Pursuant to GASB Statement No. 34, governmental activities include internal service funds. Business-type activities are considered enterprise funds.
(2) Payments on bonded debt that pertain to the Commonwealth's governmental activities are made through the debt service funds. Payments for installment purchases, compensated absences, capital leases, pension, and other obligations that pertain to the Commonwealth's governmental activities are made through the general and special revenue funds. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the total for governmental activities. Enterprise funds, or business-type activities, are self-supporting funds. Accordingly, long-term liabilities are paid from each respective fund.
(3) Amounts are net of any unamortized discounts, premiums, and deferrals.
(4) Foundations represent FASB reporting entities defined in Note 1.B.

Foundations (4)	Balance June 30, 2011	Due Within One Year
$ -	$ 765,280	$ 40,821
866,679	17,701,140	824,123
-	118,277	17,655
128	119,647	5,991
214,456	2,618,083	711,460
11,045	259,194	177,577
76,652	721,133	-
28	342,094	-
77,118	79,494	2,741
109,671	444,978	84,748
$ 1,355,777	$ 23,169,320	$ 1,865,116

Bond Defeasance

Primary Government

The Virginia Public Building Authority issued $50,780,000 of Series 2010B-3 Public Facilitiles Revenue refunding bonds in November 2010. The bonds refunded were $11,620,000 of Series 2002A and $36,375,000 of Series 2004B Public Facilities Revenue Bonds. The net proceeds from the sale of the refunding bonds of $54,873,913 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. The reacquisition price exceeded the net carrying amount of the old debt by $5,445,440. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. Total debt service payments over the next 13 years will be reduced by $1,874,717 resulting in an economic gain of $1,760,478 discounted at the rate of 2.18 percent.

Component Units

In November 2010, the Virginia College Building Authority (nonmajor) issued $101,040,000 of Series 2010B Pooled Bond Program refunding bonds. The bonds refunded were $10,615,000 of series 2000A, $29,295,000 of series 2001A, $41,615,000 of series 2002A, and $24,635,000 of series 2003A Pooled Bond Program bonds. The net proceeds from the sale of the refunding bonds of $114,870,771 were deposited in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of $8,712,000. Total debt service payments over the next 17 years will be reduced by $11,435,824 resulting in a present value savings of $9,247,407 discounted at the rate of 3.02 percent.

In October 2010, the Virginia Public School Authority (major) issued $85,510,000 of Series 2010C refunding bonds ("Refunding Bonds"). The bonds refunded were $53,880,000 of series 2004A and $29,485,000 of series 2004B bonds. The net proceeds from the sale of the Refunding Bonds were placed with an escrow agent to provide for all future debt service on the defeased bonds. This defeasance resulted in an accounting loss of $13,517,000. Total debt service payments over the next 14 years will be reduced by $3,455,433 resulting in a present value savings of $3,419,233 discounted at the rate of 2.38 percent.

GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of June 30, 2011, there were $240.0 million in bonds from the primary government that have been refunded and defeased in-substance from the governmental activities column by placing existing assets and the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments. In addition, there were $1.1 billion in bonds outstanding considered defeased from the component units.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulations in order for their bonds to maintain tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate liability, if any, must be paid every five years over the life of the bonds. Governmental issuers may elect to pay a penalty in lieu of rebate. Some bonds may be exempt from the rebate requirements if they qualify for certain regulatory exceptions. If the issuer meets one of the exceptions, the issuer retains any arbitrage earnings. Rebate and penalty payments are calculated and paid as required by law on bond issues that do not qualify for an exception.

Although rebatable arbitrage need only be calculated for tax purposes every fifth year that debt is outstanding, and consistent with modified accrual basis of accounting, is not recognized as a liability in governmental funds until amounts actually become due and payable, a liability is recognized in accrual basis government-wide statements as soon as the underlying event has occurred. Accordingly, as of June 30, 2011, the Commonwealth has recognized a government-wide liability of $1,418,442 and the Virginia Resources Authority (nonmajor component unit) has recognized a liability of $3,586,703.

Amounts remitted to the federal government for rebate liability are generally paid from earnings derived from the issue. However, if all proceeds (including earnings) have been expended and depending on the type of issue, it may be necessary to use project revenues or general or nongeneral fund appropriations to satisfy any rebate liability. During fiscal year 2011, a rebate payment in the amount of $745,223 was made on the Commonwealth's Series 2005A General Obligation Bonds. The amount of $127,962 was paid by the Virginia College Building Authority on its Pooled Bond Program, Series 2005A. No rebate payments were owed during the year on bonds of the Virginia Public Building Authority, Commonwealth Transportation Board, or the Virginia College Building Authority 21st Century Program.

Rebate liability on bonds of the Virginia Public School Authority (major component unit) is payable from earnings on related bond funds and from local issuers whose local school bonds were purchased by the VPSA. During the year, $1,515,969 was paid to the federal government for rebate on various VPSA school financing bonds.

Capital Leases

The Commonwealth leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 2011, are shown in the following table (dollars in thousands).

	Governmental Activities	Business-Type Activities	Component Units (1)
2012	$ 16,770	$ 575	$ 9,631
2013	15,256	588	10,110
2014	15,673	-	9,519
2015	15,367	-	9,035
2016	15,201	-	8,676
2017-2021	32,358	-	31,750
2022-2026	6,872	-	27,756
2027-2031	139	-	28,940
2032-2036	-	-	13,117
2037-2041	-	-	12,366
Total Gross Minimum Lease Payments	117,636	1,163	160,900
Less: Amount Representing Executory Costs	8,201	-	-
Net Minimum Lease Payments	109,435	1,163	160,900
Less: Amount Representing Interest	22,216	245	41,381
Present Value of Net Minimum Lease Payments	$ 87,219	$ 918	$ 119,519

Note (1): The above amounts exclude capital lease obligations of foundations.

	Foundations (2)
2012	$ 57
2013	38
2014	34
2015	12
2016	2
Net Minimum Lease Payments	143
Less: Amount Representing Interest	15
Present Value of Net Minimum Lease Payments	$ 128

Note (2): Foundations represent FASB reporting entities defined in Note 1.B.

At June 30, 2011, assets purchased under capital leases were included in depreciable capital assets as follows (dollars in thousands). The amounts are net of accumulated depreciation where applicable. For a portion of these assets, ownership will pass to the Commonwealth at the end of the lease term.

	Buildings	Equipment	Total
Governmental Activities:			
Gross Capital Assets	$ 172,821	$ 2,534	$ 175,355
Less: Accumulated Depreciation	61,528	372	61,900
Total Governmental Activities	$ 111,293	$ 2,162	$ 113,455
Business-Type Activities:			
Gross Capital Assets	$ 2,347	$ -	$ 2,347
Less: Accumulated Depreciation	1,330	-	1,330
Total Business-Type Activities	$ 1,017	$ -	$ 1,017
Component Units:			
Gross Capital Assets	$ 180,177	$ 20,520	$ 200,697
Less: Accumulated Depreciation	29,319	16,801	46,120
Subtotal (excluding Foundations)	150,858	3,719	154,577
Foundations:			
Gross Capital Assets	85	74	159
Less: Accumulated Depreciation	4	23	27
Subtotal Foundations	81	51	132
Total Component Units	$ 150,939	$ 3,770	$ 154,709

Notes Payable

Notes Payable consist of several items as shown in the following schedule (dollars in thousands):

Primary Government		
Transportation Note	$	8,000
Aviation Note		1,336
Installment Notes		101,014
Tax Refund Note		60,959
Total Primary Government		171,309
Component Units		
Virginia Public School Authority		164,790
Virginia Housing Development Authority		534,171
University of Virginia		49,833
Virginia Polytechnic Institute and State University		187,327
Virginia Commonwealth University		228,298
Nonmajor Component Units		1,239,208
Installment Notes		118,277
Subtotal (excluding Foundations)		2,521,904
Foundations:		
Notes Payable		214,456
Subtotal - Foundations		214,456
Total Component Units		2,736,360
Total Notes Payable	$	2,907,669

The Transportation (primary government) Note represents an interest free note payable to Chesterfield County, Virginia, of $8,000,000 for the repayment of the Powhite Parkway Extension Toll Road from surplus net revenues of the project prior to the retirement of all the bonds issued.

The Aviation (primary government) Note represents a loan agreement with the Virginia Resources Authority in the amount of $6,600,000. The purpose of the loan was to finance and refinance grants-in-aid made to the Peninsula Airport Commission to provide funding for capital improvements at the Newport News/Williamsburg International Airport. The principal amount shall be paid semi-annually with the final payment due in 2017.

The Tax Refund (primary government) Note of $60,958,654 is owed to a taxpayer and will be paid in four annual installments. Variable interest not to exceed 4.0 percent will be included in the annual payments.

The Virginia Public School Authority (major component unit) notes of $164,790,000 are for the School Equipment Financing Notes Educational Technology program. The note proceeds were used to make grants to school divisions for the purchase of educational technology equipment. The notes will be repaid from appropriations to be made by the Virginia General Assembly from the Literary Fund (major special revenue fund).

The Virginia Housing Development Authority (major component unit) has notes payable of $534,170,752 representing a credit agreement with the Federal Home Loan Bank of Atlanta. The proceeds along with the bond proceeds are used to make mortgage loans.

The Virginia Resources Authority (nonmajor component unit) notes of $5,663,892 are Equipment and Term Financing loans.

The Virginia Biotechnology Research Partnership Authority (nonmajor component unit) has notes payable in the amount of $8,307,707 used for refunding the 1998 bonds issued for BioTech One, making tenant improvements to BioTech Six and purchasing two pieces of land.

An additional amount of $1,690,694,000 is comprised primarily of higher education (component unit) promissory notes with the Virginia College Building Authority (VCBA) (nonmajor component unit) to finance the construction of various higher education facilities. The VCBA principal amount net of unamortized accruals is as follows: University of Virginia (major component unit) $49,405,477; Virginia Polytechnic Institute and State University (major component unit) $187,326,581; Virginia Commonwealth University (major component unit) $228,297,913; and nonmajor component units $1,222,625,130. Interest rates range from 2.00 percent to 5.75 percent and shall be paid semi-annually. The final principal payment is due in 2041.

The higher education institutions (component units) also have notes payable. The University of Virginia (major component unit) has notes payable of $427,804 for a GPS system and software. Virginia State University (nonmajor component unit) has a note payable of $1,625,605, which is the result of a loan agreement with the U.S. Department of Housing and Urban Development to repair seven dormitories. The loan is to be repaid over 30 years at 3.0 percent interest per annum, and is secured by a lien on the net revenues from the ownership, operation, and use of the seven dormitories under repair. The Radford University Property Acquisition Corporation (blended component unit of Radford University (nonmajor component unit)) has a notes payable of $985,902 to purchase land and a building. The original note was refinanced and the new terms include an interest rate of 5.53 percent, payable in monthly installments with a final payment in 2022.

Various foundations (component units) have notes outstanding as of year-end. The purpose of a majority of these notes is for property acquisition, working capital, and construction. Future principal payments as of June 30, 2011, are shown in the following table (dollars in thousands).

Foundations' Notes Payable (Component Units) (1)
June 30, 2011

Maturity	Principal
2012	$ 41,568
2013	17,310
2014	19,413
2015	13,335
2016	3,425
Thereafter	119,405
Total	$ 214,456

Note (1): Foundations represent FASB reporting entities defined in Note 1.B.

Installment purchase obligations have been entered into by agencies and institutions of the Commonwealth. These agreements, other than those in the component units and certain institutions of higher education, contain nonappropriation clauses indicating that continuation of the installment purchase obligations is subject to funding by the General Assembly. Installment purchase obligations represent $219,291,235 of the total outstanding debt of the Commonwealth. Presented in the following tables are repayment schedules for installment purchase obligations.

Installment Purchase Obligations - Governmental Funds
June 30, 2011

Maturity	Principal	Interest	Total
2012	$ 7,951,462	$ 3,516,426	$ 11,467,888
2013	7,528,896	3,747,070	11,275,966
2014	7,807,982	3,454,241	11,262,223
2015	8,104,878	3,149,669	11,254,547
2016	9,044,922	3,066,229	12,111,151
2017-2021	37,992,700	9,235,755	47,228,455
2022-2026	22,583,422	2,354,508	24,937,930
Total	$ 101,014,262	$ 28,523,898	$ 129,538,160

Installment Purchase Obligations - Component Units
June 30, 2011

Maturity	Principal	Interest	Total
2012	$ 17,654,563	$ 3,883,639	$ 21,538,202
2013	16,933,535	3,492,878	20,426,413
2014	15,535,815	2,958,232	18,494,047
2015	13,560,446	2,447,108	16,007,554
2016	10,612,577	2,010,295	12,622,872
2017-2021	34,129,523	4,333,741	38,463,264
2022-2026	7,101,907	775,901	7,877,808
2027-2031	882,120	94,672	976,792
2032-2036	915,450	61,343	976,793
2037-2041	951,037	26,754	977,791
Total	$ 118,276,973	$ 20,084,563	$ 138,361,536

The various foundations (component units) had no installment purchase obligations as of June 30, 2011.

Lottery Prizes Payable

Lottery prizes are paid in 20, 25, 26, or 30 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. For Life prizes payable represent estimated prizes payable monthly, quarterly or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Lottery prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value of securities held to maturity) of the investment securities funding the payments.

Lottery prizes payable for the fiscal year ended June 30, 2011, are shown in the following table:

	Jackpot	Win For Life	Total
Due within one year	$ 37,288,699	$ 4,127,457	$ 41,416,156
Due in subsequent years	121,672,217	53,320,064	174,992,281
Total (present value)	158,960,916	57,447,521	216,408,437
Add: Interest to Maturity	50,646,084	40,021,479	90,667,563
Lottery Prizes Payable at Maturity	$ 209,607,000	$ 97,469,000	$ 307,076,000

Tuition Benefits Payable

The Virginia College Savings Plan administers the Virginia Prepaid Education Program (VPEP). VPEP offers contracts which, for actuarially determined amounts, provide for guaranteed full future tuition payments at state higher education institutions. The contract provisions also allow the benefits to be used for private or out-of-state institutions at a prorated amount based upon the amounts charged by the state's higher education institutions.

At June 30, 2011, tuition benefits payable of $2.2 billion have been recorded for the VPEP program on the balance sheet for the actuarially determined present value of future obligations anticipated for payment of benefits and administrative expenses for the VPEP program. In addition, a receivable in the amount of $257.4 million has been recorded to reflect the actuarially determined present value of future payments anticipated from contract holders.

26. OTHER REVENUE

The following table (dollars in thousands) summarizes Other Revenue for the fiscal year ended June 30, 2011.

	Assessments and Receipts for Support of Special Services	Fines, Forfeitures, Court Fees, Penalties, and Escheats	Receipts from Cities Counties, and Towns	Private Gifts, Grants, and Contracts	Sales of Property
Primary Government:					
General	$ 2,700	$ 225,168	$ 16,340	$ 4,593	$ 28,001
Major Special Revenue Funds:					
Commonwealth Transportation	17,992	12,243	49,138	21,907	1,671
Federal Trust	-	55	-	1	348
Literary	-	64,012	-	-	-
Nonmajor Governmental Funds	101,526	53,197	63,764	8,917	6,284
Nonmajor Enterprise Funds	-	13,198	-	-	-
Internal Service Funds	-	-	-	-	-
Private Purpose Trust Funds	-	1	-	-	-
Pension and Other Employee Benefit Trust	-	-	-	-	-
Total Primary Government	$ 122,218	$ 367,874	$ 129,242	$ 35,418	$ 36,304

	Tobacco Master Settlement	Taxes	E-Z Pass	Other (1)	Total Other Revenue
Primary Government:					
General	$ 48,185	$ -	$ -	$ 218,327	$ 543,314
Major Special Revenue Funds:					
Commonwealth Transportation	-	-	11,657	-	114,608
Federal Trust	-	-	-	108,215	108,619
Literary	-	-	-	76,996	141,008
Nonmajor Governmental Funds	-	-	-	97,702	331,390
Nonmajor Enterprise Funds	-	3,268	-	1,062	17,528
Internal Service Funds	-	-	-	22	22
Private Purpose Trust Funds	-	-	-	-	1
Pension and Other Employee Benefit Trust	-	-	-	1,678	1,678
Total Primary Government	$ 48,185	$ 3,268	$ 11,657	$ 504,002	$ 1,258,168

Note (1): $75,000 (dollars in thousands) of the total amount recorded for the Literary fund is related to unclaimed property.

27. PRIZES AND CLAIMS

The following table summarizes Prizes and Claims Expense for the fiscal year ended June 30, 2011.

(Dollars in Thousands)

	Insurance Claims	Lottery Prize Expense	Total Prizes and Claims
Proprietary Funds:			
Major Enterprise Funds:			
State Lottery	$ -	$ 870,172	$ 870,172
Unemployment Compensation	661,739	-	661,739
Nonmajor Enterprise Funds	220,776	-	220,776
Total Enterprise Funds	$ 882,515	$ 870,172	$ 1,752,687
Internal Service Funds	$ 1,027,285	$ -	$ 1,027,285

28. OTHER EXPENSES

The following table summarizes Other Expenses for the fiscal year ended June 30, 2011.

(Dollars in Thousands)

	Grants and Distributions To Localities	Expendable Equipment/ Improvements	Other (1)	Total Other Expenses
Proprietary Funds:				
Major Enterprise Funds:				
Virginia College Savings Plan	$ -	$ 571	$ 2,079	$ 2,650
Nonmajor Enterprise Funds	111	1,788	517	2,416
Total Enterprise Funds	$ 111	$ 2,359	$ 2,596	$ 5,066
Internal Service Funds	$ 1,613	$ 5,359	$ 6,049	$ 13,021
Pension and Other Employee Benefit Trust	$ -	$ -	$ 8,129	$ 8,129

Note (1): $5,581 (dollars in thousands) can be attributed to expenses related to closing cases in the Risk Management internal service fund. $2,000 (dollars in thousands) can be attributed to the SOAR scholarship program for Virginia College Savings Plan Fund. This is the first year for the program.

29. OTHER NON-OPERATING REVENUE/EXPENSES

The following table summarizes Other Non-Operating Revenue/Expenses for the fiscal year ended June 30, 2011.

(Dollars in Thousands)

	Loss on Sale of Capital Assets	Expenses for Securities Lending Transactions	Other	Total Other Non-Operating Revenue/ (Expenses)
Proprietary Funds:				
Major Enterprise Funds:				
State Lottery	$ -	$ (350)	$ 253	$ (97)
Nonmajor Enterprise Funds	-	(1)	8,976	8,975
Total Enterprise Funds	$ -	$ (351)	$ 9,229	$ 8,878
Internal Service Funds	$ (139)	$ -	$ (2,793)	$ (2,932)

30. TRANSFERS

The following table summarizes Transfers In and Transfers Out for the fiscal year ended June 30, 2011 (dollars in thousands).

	Transfers In (Reported In):				
Transfers Out (Reported In):	**General**	**Commonwealth Transportation**	**Federal Trust**	**Literary**	**Nonmajor Governmental Funds**
Primary Government					
General	$ -	$ 82,499	$ 1,124	$ -	$ 387,928
Major Special Revenue Funds:					
Commonwealth Transportation	28,148	-	1,136	-	259,199
Federal Trust	744	11,209	-	-	7,098
Nonmajor Governmental Funds	88,503	-	1,048	-	2,547
Major Enterprise Funds:					
State Lottery	445,185	-	-	10,853	-
Virginia College Savings Plan	692	-	-	-	-
Unemployment Compensation	-	-	11,292	-	-
Nonmajor Enterprise Funds	135,332	-	-	12	14,783
Internal Service Funds	9,030	-	-	-	-
Total Primary Government	$ 707,634	$ 93,708	$ 14,600	$ 10,865	$ 671,555

Transfers are used to (1) move revenues from the fund that the *Code of Virginia* or budget requires to collect them to the fund that the *Code of Virginia* or budget requires to expend them; (2) move receipts restricted for debt service from the funds holding the resources to the debt service fund as principal and interest payments become due; (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and (4) reimburse the General Fund for expenses incurred on behalf of nongeneral funds.

During the fiscal year, the following significant transfers were made that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

- Various nongeneral funds transferred approximately $55.1 million to the General Fund as required by Chapter 890, 2011 Acts of Assembly.
- The Department of Motor Vehicles transferred certain fees of approximately $7.4 million to the General Fund as required by Chapter 890, 2011 Acts of Assembly.

Nonmajor Enterprise Funds	Internal Service Funds	Total Primary Government
$ 994	$ 500	$ 473,045
-	363	288,846
45	-	19,096
2,473	-	94,571
-	-	456,038
-	-	692
-	-	11,292
-	-	150,127
-	-	9,030
$ 3,512	$ 863	$ 1,502,737

31. ON-BEHALF PAYMENTS

Higher education institutions (component units) received various on-behalf payments from foundations primarily for salary supplements and stipends during fiscal year 2011. Since the foundations are included as part of the higher education entity, the on-behalf payments were considered intrafund and were eliminated from the financial statements.

32. ENDOWMENTS

Donor restricted endowments reside primarily within the higher education institutions. The net appreciation available for expenditure is $1.0 billion. Of this amount, $1.1 million is reported as unrestricted net assets and the remainder is reported as restricted net assets. The *Code of Virginia* authorizes acceptance of donations. The governing boards of these entities and the donor agreements determine whether net appreciation can be spent and the accepted spending rate. These policies are entity specific and vary with each institution.

33. CASH FLOWS – ADDITIONAL DETAILED INFORMATION

The following table (dollars in thousands) summarizes specific cash flows for the fiscal year ended June 30, 2011.

	State Lottery	Virginia College Savings Plan	Unemployment Compensation	Nonmajor Enterprise Funds
Cash Flows Resulting from:				
Payments for Prizes, Claims, and Loss Control:				
Lottery Prizes	$ (920,795)	$ -	$ -	$ -
Claims and Loss Control	-	-	(682,373)	(220,151)
Total	$ (920,795)	$ -	$ (682,373)	$ (220,151)
Other Operating Revenue:				
Other Operating Revenue	$ -	$ -	$ -	$ 5,107
Total	$ -	$ -	$ -	$ 5,107
Other Operating Expense:				
Other Operating Expenses (1)	$ -	$ (2,008)	$ -	$ (283)
Total	$ -	$ (2,008)	$ -	$ (283)
Other Noncapital Financing Receipt Activities:				
Advances/Contributions from the Commonwealth	$ -	$ -	$ -	$ 29,468
Receipts from Taxes	-	-	-	174,262
Other Noncapital Financing Receipt Activities (2)	253	-	193,626	76
Total	$ 253	$ -	$ 193,626	$ 203,806
Other Noncapital Financing Disbursement Activities:				
Repayments of Advances/Contributions from the Commonwealth	$ (9,000)	$ -	$ -	$ (32,722)
Other Noncapital Financing Disbursement Activities	-	-	(358,284)	(360)
Total	$ (9,000)	$ -	$ (358,284)	$ (33,082)
Other Capital and Related Financing Receipt Activities:				
Other Capital and Related Financing Receipt Activities	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -
Other Capital and Related Financing Disbursement Activities:				
Other Capital and Related Financing Disbursement Activities	$ -	$ -	$ -	$ (100)
Total	$ -	$ -	$ -	$ (100)

Note (1): $2,000 (dollars in thousands) can be attributed to disbursements related to Virginia College Savings Plan for a new scholarship started in fiscal year 2011 called the SOAR scholarship. Also, $5,581 (dollars in thousands) can be attributed to disbursements related to closing cases in the Risk Management internal service fund.

Note (2): $193,626 (dollars in thousands) can be attributed to Federal repayable advances under Title XII of the Social Security Act.

Total Enterprise Funds	Internal Service Funds
$ (920,795)	$ -
(902,524)	(982,143)
$ (1,823,319)	$ (982,143)
$ 5,107	$ -
$ 5,107	$ -
$ (2,291)	$ (9,300)
$ (2,291)	$ (9,300)
$ 29,468	$ 7,000
174,262	-
193,955	142
$ 397,685	$ 7,142
$ (41,722)	$ (1,493)
(358,644)	-
$ (400,366)	$ (1,493)
$ -	$ 13
$ -	$ 13
$ (100)	$ -
$ (100)	$ -

34. TOBACCO SETTLEMENT AND SECURITIZATION

On November 23, 1998, 46 states' Attorneys General and the major tobacco companies signed a proposed settlement that reimburses states for smoking-related medical expenses paid through Medicaid and other health care programs. At the time of the settlement, it was estimated that the Commonwealth could receive approximately $4.1 billion over the duration of the settlement. The settlement was approved in a Consent Decree in December 1998. On March 29, 1999, the General Assembly enacted a law approving the establishment of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission), in compliance with the Consent Decree, to help communities in Virginia hurt by the decline of tobacco.

The Commission was established for the purposes of determining the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund. The monies are to be used to provide payments to tobacco farmers as compensation for the tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota. The monies are also to be used to revitalize tobacco dependent communities.

The General Assembly also created the Virginia Foundation for Healthy Youth (Foundation). The purpose of the Foundation is to determine the appropriate recipients of monies in the Virginia Tobacco Settlement Fund. The Foundation will also be responsible for distributing monies for the purposes provided in the legislation. Disbursements can be made to assist in financing efforts to restrict the use of tobacco products by minors, through educational and awareness programs describing the health effects of tobacco use on minors, and laws restricting the distribution of tobacco products to minors. The Commission and the Foundation are included in the Comprehensive Annual Financial Report as component units.

Additionally, the General Assembly created two special non-reverting funds. The Tobacco Settlement monies are accounted for in these funds and the General Fund. Fifty percent of the Settlement monies will be deposited into the Tobacco Indemnification and Community Revitalization Fund. Ten percent of the Settlement monies will be deposited into the Virginia Tobacco Settlement Fund. The remaining 40 percent will be reported in the General Fund.

In May 2005, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Tobacco Indemnification and Community Revitalization Commission (Commission), the Commonwealth sold to the Tobacco Settlement Financing Corporation (Corporation) 25 percent of its future right, title and interest in the Tobacco Settlement Revenues (TSRs). In May 2007, pursuant to a Purchase and Sale Agreement with the Commonwealth, acting as an agent on behalf of the Commission, the Commonwealth sold to the Corporation the remaining 25 percent of its future right, title and interest in the TSRs. Specifically, these rights include the 50 percent share of the TSRs received by the Commission starting May 15, 2005, and in perpetuity under the Master Settlement Agreement.

Consideration paid by the Corporation to the Commission for TSRs consisted of a cash amount deposited into an endowment to fund the long-term spending plan approved by the Commission. The bonds of the Corporation are asset-backed instruments secured solely by the TSRs, and the Corporation's right to receive TSRs is expected to produce funding for its obligations.

The Commission is a discrete component unit of the Commonwealth and the Corporation is disclosed as a related organization.

35. INFORMATION TECHNOLOGY INFRASTRUCTURE PARTNERSHIP – NORTHROP GRUMMAN

The Comprehensive Infrastructure Agreement (CIA) is a contract, executed on November 13, 2005, between the Commonwealth of Virginia (Commonwealth) acting through the Virginia Information Technologies Agency (VITA) and Northrop Grumman Information Technology, Inc (NG). The Commonwealth's primary goal is to significantly improve the Commonwealth's IT infrastructure and the manner in which such infrastructure is operated, supported, and maintained for the following service towers: Cross-Functional Services; Desktop Computing Services; Data Network Services; Voice and Video Telecom Services; Mainframe and Server Services; Help Desk Services; Messaging Services; Security Services; Internal Application Services; and Data Center facilities.

On March 31, 2010, contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman. As a result of the contract changes, the Commonwealth renewed the contract for an additional three years, the parties established the products and services covered in the contractual cap including the baseline quantities to be billed and the prices at which those quantities will be billed, a shortened formula for contract year ten cost of living adjustment, and increased resolution and disentanglement fees. These contract changes are intended to provide improved performance to the VITA customer agencies, provide greater accountability and operational efficiencies for the services provided, and resolve outstanding financial issues. Expenses associated with the CIA during the fiscal year 2011 totaled $261.4 million, including payments to Northrop Grumman of $205.0 million. The Commonwealth expects to spend an additional $2.0 billion over the next eight fiscal years.

Additional contract revisions to the CIA were completed between the Commonwealth and Northrop Grumman during fiscal year 2011.

The Commonwealth may terminate the CIA due to a variety of reasons including the Commonwealth's convenience; a significant change of control in the

equity interests in NG; NG's failure to implement satisfactory improvements; or, NG's failure to prevent service interruption of 15 days or more. In these instances, the Commonwealth will be required to pay exit and resolution fees as outlined in the CIA. Additional causes for termination that do not require the payment of exit or resolution fees are NG's default on the CIA terms, the Commonwealth's lack of funds, or NG's incurrence of liabilities equal to or more than 75 percent of the direct damages cap. NG may terminate the CIA only if the Commonwealth owes an aggregate amount in excess of $100 million that is more than 30 days past due and not being disputed in good faith. The Commonwealth may be required to pay exit and resolution fees, as outlined in the CIA, if NG terminates the CIA. Fees resulting from the termination of the agreement are expected to be significant to the Commonwealth. However, exit fees are subject to the appropriation, allocation and availability of Commonwealth funds. Further, if the Commonwealth and NG terminate the business relationship at the conclusion of the CIA term, the Commonwealth could incur significant costs to obtain and transition the IT infrastructure necessary to continue the Commonwealth's operations.

36. CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education (component units) and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Failure to comply with certain requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. It is believed that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

The U.S. Department of Health and Human Services (DHHS) Office of the Inspector General conducted a review and indicated that the Commonwealth's Statewide Indirect Cost Allocation Plan rates have allowed over-recoveries in the internal service funds. The U.S. DHHS has received the 2012 cost allocation plan, which is based on fiscal year 2010 data. The Commonwealth believes this liability has the potential to total $623,532 as of June 30, 2011.

Virginia's combined overpayment and underpayment SNAP error rate for federal fiscal year 2010 was 5.87 percent. The national average combined error rate was 3.81 percent. Under the Food and Nutrition Act of 2008 (the Act), a 2-year liability system for excessive payment error rates is in place. Under this system, a liability amount shall be established when, for the second or subsequent consecutive fiscal year, the USDA determines that there is a 95 percent statistical probability that a State's payment error rate exceeds 105 percent of the national performance measure. Food, Nutrition, and Consumer Services (FNCS) has determined that there is a 95 percent statistical probability that Virginia's payment error rate of 5.87 percent exceeds 105 percent of the national performance measure for federal fiscal year 2010. Therefore, federal fiscal year 2010 was the first year that Virginia's excessive payment error rate places the State in a position of potential future liability. No liability amount is being established for the federal fiscal year. However, if there is also a 95 percent statistical probability that Virginia's payment error rate exceeds 105 percent of the national performance measure for federal fiscal year 2011 and exceeds 6 percent, a liability amount will be established for Virginia. According to the Act, in the event that Virginia's federal fiscal year 2011 payment error rate results in a liability amount, Virginia will be able to appeal that federal fiscal year 2011 determination and its associated liability amount.

The Virginia Tourism Authority had unclaimed awards totaling $862,547 payable to awardees upon submission of proper claims for reimbursement for the Marketing Leverage Program. Also, the Authority received a donation of land from King George County to be used as the Gateway Welcome Center on highway U.S. 301 at the Virginia Maryland border. The deed requires the land to revert to the U.S. government if needed for national defense. The book value of the land is $825,450. Also, the Authority had unclaimed awards totaling $52,398 payable to awardees' upon submission of proper claims for reimbursement for the Sesquicentennial Marketing Program.

B. Litigation

The Commonwealth is named as a party in legal proceedings and investigations that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits or investigations will not have a material, adverse effect on the financial condition of the Commonwealth.

C. Subject to Appropriation

Both the primary government and the discretely presented component units enter into agreements and issue debt secured solely by future appropriations from the General Fund of the Commonwealth. The primary government has leases and other agreements of such debt of $2.6 billion. The discretely presented component units have such debt of $1.9 billion.

D. Bailment Inventory

The Department of Alcoholic Beverage Control (ABC) houses and controls bailment inventory in the warehouse and is therefore responsible for the exercise of reasonable care to preserve the inventory until it is purchased by ABC or returned to the supplier. ABC uses the bailment system for payment of merchandise for resale. ABC initiates payments to the vendors based on shipments from the ABC warehouse to the retail stores, rather than receipt of invoice from the vendor. At June 30, 2011, the bailment inventory was valued at $34.0 million.

E. Loan Guarantees

The Virginia Small Business Financing Authority (VSBFA) (nonmajor component unit) has a loan guaranty program which provides guarantees up to the lesser of $50,000 or 75.0 percent of a bank loan for lines of credit and short-term working capital loans for small businesses. In addition, the Department of Minority Business Enterprise (DMBE) fund provides loan guarantees up to 90 percent of a bank loan for lines of credit and short-term working capital loans for minority businesses. The VSBFA administers this program for DMBE. As of June 30, 2011, the loan guaranty program has guarantees outstanding of $1.5 million.

The Assistive Technology Loan Fund Authority (nonmajor component unit) has an alternative financing program which provides guarantees of loans issued by its financial partner, SunTrust Bank. As of June 30, 2011, there was approximately $552,929 of loans issued in which it was the guarantor.

37. SUBSEQUENT EVENTS

Primary Government

Other

Title XII of the Social Security Act provides for interest bearing repayable advances to States for the purpose of payment of unemployment compensation claims in the event the state Unemployment Trust Fund reserves are reduced to zero. These advances are repayable from future collections of employer contributions to the Unemployment Trust Fund. Subsequent to June 30, 2011, repayments totaling $45.0 million were made from employer contributions received for the second calendar quarter. Requests to the Secretary of Labor for additional loans for the months of July 2011 through February 2012 have been approved in the amount of $290.0 million. A total of $105.8 million in new advances have been issued.

Investments

The continued volatility of the financial markets have affected the Commonwealth's investment portfolios. As of November 10, 2011, it is estimated that the value of the portfolio taken as a whole declined approximately $3.0 billion or 4.7 percent. Approximately $2.5 billion of the valuation decline results directly from market conditions and the remaining $500.0 million is due to significant disbursements by the Commonwealth. The Commonwealth mitigates the risk of market exposure by monitoring the various asset classes and making adjustments within approved investment policies. The Commonwealth does not expect this decline to be permanent.

Credit Watch

In connection with Moody's July 13, 2011 action placing its Aaa government bond rating of the United States on review for downgrade, Moody's announced it would assess the ratings of Aaa-rated states to gauge their sensitivity to sovereign risk. On July 19, 2011, Moody's announced it had placed on review for possible downgrade five states rated Aaa by Moody's including the Commonwealth. If the United States government's rating were to be downgraded by Moody's to Aa1 or lower, Moody's stated the Commonwealth's ratings likely would be downgraded as well. Following the increase in the statutory debt limit on August 2, 2011, Moody's confirmed the Aaa government bond rating of the United States but changed the outlook to negative. On August 4, 2011, Moody's confirmed the Aaa rating of the Commonwealth and revised the outlook to negative due to the Commonwealth's reliance on federal employment and procurement and the uncertainty associated with the federal budget.

Debt

In October 2011, the Virginia Public Building Authority (VPBA) issued its Public Facilities Revenue Bonds and Revenue Bonds $280.0 million Series 2011A and $18.5 million Series 2011B (Federally Taxable). The 2011 Bonds will provide funding for authorized VPBA projects and reimbursement of the Commonwealth's share of regional and local jail costs.

In November 2011, the Commonwealth issued $168.9 million in General Obligation Bonds, Series 2011A. The Series 2011A Bonds were issued to finance revenue-producing capital projects at various institutions of higher education pursuant to Article X, Section 9(c) of the Virginia Constitution.

Component Units

Other

Subsequent to year-end, the Fort Monroe Authority had damage from Hurricane Irene at an estimated cost of $4.0 million. The property is insured by Virginia Division of Risk Management and Fort Monroe anticipates the storm damage cost will be paid under that coverage.

Investments

The volatility of the financial markets have adversely affected the significant component units' portfolios as well. As of November 10, 2011, it is estimated that the value of the component unit portfolio has declined approximately $37.1 million or 2.8 percent. The $284.7 million valuation decline due to market conditions is offset by operational inflows of approximately $247.6 million. The component units have taken steps to mitigate the risk of loss by monitoring exposure and making adjustments within approved investment policies. Additionally, the Virginia Housing Development Authority (VHDA) has $27.5 million (1.7 percent of VHDA's investment portfolio) that is currently rated in the speculative grade of investments by Moody's Investor Services and are considered impaired. VHDA intends to retain the impaired or stressed holdings until maturity or they can obtain a reasonable market price for them. There is no significant financial risk to the Commonwealth.

Debt

Subsequent to June 30, 2011, the Virginia Resources Authority as part of the Virginia Pooled Financing Program issued bonds in the amount of $33.2 million. The interest rates range from 2 percent to 5.0 percent with a final due date of August 1, 2027.

Subsequent to June 30, 2011, the Virginia Biotechnology Research Partnership Authority (VBRPA) sold BioTech One and the BioTechnology Center buildings and land to the Virginia Commonwealth University (VCU) (major component unit). The VBRPA will net $4.5 million from the sale and VCU will assume the existing Bank of America note. VBRPA will lease back the BioTechnology Center for $1 per year. The VBRPA will purchase Biotech Three from Virginia Commonwealth University Real Estate Foundation at an agreed price of $1.8 million. The Biotech Park will assign the purchase contract for Biotech Three to Biotech Eight LLC to construct a new $26.0 million facility to accommodate further expansion.

In July 2011, the Virginia Port Authority (VPA) issued $57.4 million of Virginia Port Authority Commonwealth Port Fund Revenue Bonds, Series 2011 (Non-AMT). Serial bonds issued in the principal amount of $57.4 million are payable in annual installments beginning July 1, 2028, in amounts ranging from $2.6 million to $9.3 million with interest of 5.0 percent payable semiannually, the first interest installment due January 1, 2012 and the final installment due July 1, 2036, with the first optional redemption date being July 1, 2020. These bonds are payable primarily from the Commonwealth Port Fund. With the issuance of this bond series, proceeds of $13.9 million were used for the repayment of the Treasury Loan, at closing, that had been issued to continue projects for which this bond issuance was intended to fund.

In July 2011, the Virginia Housing Development Authority (VHDA) borrowed $20.0 million from the FHL Bank Atlanta. Additionally, VHDA repaid $20.0 million from Bank of America, N.A., Revolving Credit Agreement.

In August 2011, the Virginia Public School Authority (VPSA) issued its $46.4 million Special Obligation School Financing Bonds Prince William County Series 2011 as part of its stand-alone bond program. The proceeds will be used to purchase general obligation bonds issued by Prince William County to pay the costs of various capital school improvement projects for the County.

In August 2011, Standard & Poor's (S&P) notified VHDA that its Commonwealth Mortgage Bond resolution was placed on CreditWatch Negative. S&P will be reviewing the AAA rating because a portion of the mortgage loans securing the resolution are federal insured or guaranteed by the Federal Housing Administration (FHA).

In August 2011, the Virginia College Building Authority (VCBA) issued its Educational Facilities Revenue Bonds (21st Century College and Equipment Programs) $272.5 million Series 2011A. The proceeds of the bonds will be used to finance certain capital projects and acquire equipment at public institutions of higher education.

In August 2011, the Hampton Roads Sanitation District (HRSD) was authorized to award up to $80.0 million in fixed rate senior revenue bonds and $25.0 million in subordinate revenue variable rate demand bonds. Both have a maturity date no more than 32 years from the date of issuance. HRSD anticipates issuing approximately $50.0 million in fixed rate senior revenue bonds and $25.0 million in subordinate revenue variable rate demand bonds in October 2011.

In October 2011, the University of Virginia issued $4.7 million of Taxable Commercial paper and $73.9 million par amount of Tax-exempt General Revenue Pledge Bonds, Series 2011 to advance refund $82.2 million of Taxable General Revenue Pledge Bonds, Series 2003B. The advance refunding reduced the aggregate debt service of the University by $12.4 million representing a net present value savings of $8.6 million and an accounting loss of $8.0 million. The new 2011 series bonds have a true interest cost of 3.3 percent with a net interest cost of 3.6 percent.

In October 2011, VPA entered into a Memorandum of Agreement with the Virginia Department of Transportation (VDOT) obligating a portion of VPA's Transportation Trust Fund Allocation (TTF) to fund a portion of the US Route 460 Corridor Improvements Project (the Project) in the event a Comprehensive Agreement is signed under the Public Private Transportation Act of 1995 process for this Project. On an annual basis, VPA will provide 0.5 percent of the TTF to repay a portion of the project construction costs incurred by VDOT. This annual obligation will begin no earlier than July 1, 2013, and will continue for the life of the Comprehensive Agreement. VPA will have no other further obligation to provide annual funding if it pays, in total, $250.0 million dollars by June 30, 2022.

In October 2011, VPSA issued its $85.7 million School Financing Series 2011 B bonds to purchase certain general obligation local school bonds to finance capital projects for public schools.

In November 2011, VCBA issued its $163.3 million Educational Facilities Revenue and Refunding bonds, Series 2011A under the Public Higher Education Financing Program. VCBA will use the proceeds of the Series A Bonds to acquire Institutional Notes from participating public institutions of higher education. Each participating institution will use the proceeds of its Institutional Note to finance capital projects approved by the General Assembly.

In November 2011, VPSA sold two different series of bonds. First, VPSA sold its $86.1 million Special Obligation School Financing Bonds, Montgomery County Series 2011 as part of its stand-alone bond program. These proceeds will be used to purchase general obligation bonds issued by Montgomery County to pay the costs of various capital school improvement projects for the County. Second, VPSA sold its $131.9 million School Tax Credit Bonds, a portion of which will be issued as direct payment "qualified school construction bonds" and the remainder as "qualified zone academy bonds" Series 2011-2. VPSA will irrevocably elect to receive interest subsidy payments from the United States Treasury rather than to provide a tax credit to the owners of the 2011-2 bonds. VPSA will transfer to the 2011-2 local issuers the interest subsidy payments that VPSA receives.

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ 9,587,700	$ 9,746,200	$ 9,944,370	$ 198,170
Sales and Use	3,089,700	3,186,200	3,216,406	30,206
Corporation Income	792,800	766,600	822,259	55,659
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	448,900	448,900	442,455	(6,445)
Deeds, Contracts, Wills, and Suits	323,100	283,100	299,967	16,867
Premiums of Insurance Companies	274,400	277,700	281,563	3,863
Alcoholic Beverage Sales	178,000	177,200	178,937	1,737
Tobacco Products	174,300	171,000	173,731	2,731
Estate	-	4,000	2,713	(1,287)
Public Service Corporations	94,200	96,400	93,777	(2,623)
Other Taxes	18,600	27,156	21,808	(5,348)
Rights and Privileges	91,137	88,545	73,283	(15,262)
Sales of Property and Commodities	50,357	11,935	28,005	16,070
Assessments and Receipts for Support of Special Services	2,343	2,025	2,777	752
Institutional Revenue	39,942	38,912	40,122	1,210
Interest, Dividends, and Rents	114,739	75,288	90,905	15,617
Fines, Forfeitures, Court Fees, Penalties, and Escheats	226,504	219,580	222,256	2,676
Federal Grants and Contracts	-	-	-	-
Receipts from Cities, Counties, and Towns	16,010	14,969	16,340	1,371
Private Donations, Gifts and Contracts	638	453	4,595	4,142
Tobacco Master Settlement	57,881	52,134	48,185	(3,949)
Other	124,234	100,766	204,033	103,267
Total Revenues	15,705,485	15,789,063	16,208,487	419,424
Expenditures:				
Current:				
General Government	2,141,025	2,224,688	2,149,242	75,446
Education	7,009,529	7,021,369	6,931,515	89,854
Transportation	30	585	516	69
Resources and Economic Development	365,669	416,856	306,970	109,886
Individual and Family Services	4,506,412	4,540,334	4,449,683	90,651
Administration of Justice	2,306,591	2,367,326	2,247,447	119,879
Capital Outlay	16,558	19,358	6,144	13,214
Total Expenditures	16,345,814	16,590,516	16,091,517	498,999
Revenues Over (Under) Expenditures	(640,329)	(801,453)	116,970	918,423
Other Financing Sources (Uses):				
Transfers:				
Transfers In	642,601	645,516	693,750	48,234
Transfers Out	(441,184)	(467,055)	(487,991)	(20,936)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	201,417	178,461	205,759	27,298
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	(438,912)	(622,992)	322,729	945,721
Fund Balance, July 1, as restated	974,831	974,831	974,831	-
Fund Balance, June 30	$ 535,919	$ 351,839	$ 1,297,560	$ 945,721

See notes on page 177 in this section.

Special Revenue Funds			
Commonwealth Transportation Fund			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ -	$ -	$ -	$ -
496,600	478,100	457,421	(20,679)
-	-	-	-
874,529	906,818	870,501	(36,317)
422,000	475,000	495,435	20,435
-	-	-	-
33,500	32,200	34,984	2,784
128,200	130,300	130,327	27
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
30,600	37,847	38,186	339
594,679	517,921	539,687	21,766
556	556	4,011	3,455
18,779	17,372	18,015	643
-	-	-	-
45,032	105,509	29,629	(75,880)
11,702	11,872	12,183	311
1,073,528	1,153,965	1,131,978	(21,987)
60,289	60,289	55,946	(4,343)
-	1,105	28,355	27,250
-	-	-	-
30,460	67,940	13,753	(54,187)
3,820,454	3,996,794	3,860,411	(136,383)
2,273	2,343	1,919	424
2,414	2,414	2,404	10
3,523,567	5,014,510	3,832,040	1,182,470
16,061	14,095	12,316	1,779
-	-	-	-
10,373	9,650	9,425	225
30,789	32,920	20,221	12,699
3,585,477	5,075,932	3,878,325	1,197,607
234,977	(1,079,138)	(17,914)	1,061,224
22,350	55,050	95,502	40,452
(319,910)	(334,220)	(288,506)	45,714
600,000	600,000	600,000	-
50,394	50,394	50,394	-
352,834	371,224	457,390	86,166
587,811	(707,914)	439,476	1,147,390
1,891,538	1,891,538	1,891,538	-
$ 2,479,349	$ 1,183,624	$ 2,331,014	$ 1,147,390

Continued on next page

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds *(Continued from previous page)*

Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Special Revenue Funds			
	Federal Trust			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Individual and Fiduciary Income	$ -	$ -	$ -	$ -
Sales and Use	-	-	-	-
Corporation Income	-	-	-	-
Motor Fuel	-	-	-	-
Motor Vehicle Sales and Use	-	-	-	-
Communications Sales and Use	-	-	-	-
Deeds, Contracts, Wills, and Suits	-	-	-	-
Premiums of Insurance Companies	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Estate	-	-	-	-
Public Service Corporations	-	-	-	-
Other Taxes	-	-	-	-
Rights and Privileges	-	-	-	-
Sales of Property and Commodities	295	295	348	53
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	-	-	-	-
Interest, Dividends, and Rents	2,342	1,076	1,516	440
Fines, Forfeitures, Court Fees, Penalties, and Escheats	247	16	53	37
Federal Grants and Contracts	6,789,075	9,421,836	9,761,714	339,878
Receipts from Cities, Counties, and Towns	-	-	-	-
Private Donations, Gifts and Contracts	-	-	-	-
Tobacco Master Settlement	-	-	-	-
Other	28,673	24,860	112,427	87,567
Total Revenues	6,820,632	9,448,083	9,876,058	427,975
Expenditures:				
Current:				
General Government	120,361	151,122	135,331	15,791
Education	1,042,029	1,860,639	1,487,650	372,989
Transportation	34,937	23,365	16,886	6,479
Resources and Economic Development	176,010	385,955	269,494	116,461
Individual and Family Services	5,373,543	6,924,080	7,901,996	(977,916)
Administration of Justice	54,011	65,678	37,612	28,066
Capital Outlay	19,665	32,725	20,354	12,371
Total Expenditures	6,820,556	9,443,564	9,869,323	(425,759)
Revenues Over (Under) Expenditures	76	4,519	6,735	2,216
Other Financing Sources (Uses):				
Transfers:				
Transfers In	-	367	12,362	11,995
Transfers Out	(76)	(4,886)	(19,097)	(14,211)
Bonds Issued	-	-	-	-
Premium on Debt Issuance	-	-	-	-
Total Other Financing Sources (Uses)	(76)	(4,519)	(6,735)	(2,216)
Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	-	-	-	-
Fund Balance, July 1, as restated	-	-	-	-
Fund Balance, June 30	$ -	$ -	$ -	$ -

See notes on page 177 in this section.

Notes for Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds

1. As discussed on page 88, the Commonwealth implemented GASB Statement No. 54. Accordingly, the General and Commonwealth Transportation Funds have been restated by $104.0 million, and ($522 thousand), respectively.

2. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2011, to the fund balance on a modified accrual basis follows.

Fund Balance Comparison
Budgetary Basis to GAAP Basis

(Dollars in Thousands)

	General Fund	Commonwealth Transportation Fund	Federal Trust Fund
Fund Balance, Basis of Budgeting	$ 1,297,560	$ 2,331,014	$ -
Adjustments from Budget to Modified Accrual:			
Accrued Revenues:			
Taxes	483,626	127,774	-
Tax Refunds	(423,383)	-	-
Other Revenue/Other Sources	69,606	150,260	548,207
Deferred Taxes (2)	(463,399)	-	-
Medicaid Payable	(228,941)	-	(233,500)
Accrued Expenditures/Other Uses	(793,846)	(174,518)	(287,076)
Fund Balance, Modified Accrual Basis	$ (58,777)	$ 2,434,530	$ 27,631

1. As discussed in Note 1.E., the Literary Fund has no approved budget.
2. See also Note 1.Q.

3. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Major Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the General Fund and Major Special Revenue Funds, at June 30, 2011, except the Literary Fund which has no approved budget.

(Dollars in Thousands)	General Fund (9)	Commonwealth Transportation Fund	Federal Trust Fund (10)
Appropriations (1)	$ 16,345,814	$ 3,585,477	$ 6,820,556
Supplemental Appropriations:			
Reappropriations (2)	95,901	44,010	31,709
Subsequent Executive (3)	507,698	1,346,107	1,612,371
Subsequent Legislative (4)	(244,130)	110,499	1,032,500
Capital Outlay and Operating Reversions (5)	(3,852)	(108)	(40)
Transfers (6)	(89,361)	45,691	(20,356)
Capital Outlay Adjustment (7)	(21,554)	(41,913)	(33,176)
Debt Service Adjustment (8)	-	(13,831)	-
Appropriations, as adjusted	$ 16,590,516	$ 5,075,932	$ 9,443,564

1. Represents the budget appropriated through Chapter 874, 2010 Acts of Assembly, as amended by Chapter 890, 2011 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to carry forward any prior year unexpended balances, sum sufficient authority, and year 2 to year 1 reductions (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay and operating balances.
6. Represents transfers required by the Appropriation Act. Transfers out are reduced by approximately $1.4 billion (General Fund) and $4.5 million (Commonwealth Transportation Fund) for transfers to component units and fiduciary funds that have been reclassified as expenditures in accordance with GASB Statement No. 34.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.
8. The Special Revenue Commonwealth Transportation Fund appropriations have been adjusted for debt service.
9. Budgetary reductions totaling $13.4 million are excluded since they were not available for disbursement during the current fiscal year.
10. Appropriations do not include food stamp issuances of $1.3 billion since this is a noncash item; however, this amount is included in actual expenditures.

Funding Progress for Defined Benefit Pension Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL Entry Age [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
		Virginia Retirement System (VRS)				
2010	$ 52,729	$ 72,801	$ 20,072	72.4%	$ 14,758	136.0%
* 2009	53,185	66,323	13,138	80.2%	14,948	87.9%
2008	52,548	62,554	10,006	84.0%	14,559	68.7%
2007	47,815	58,116	10,301	82.3%	13,834	74.5%
2006	42,669	52,822	10,153	80.8%	13,002	78.1%
* 2005	40,372	49,628	9,256	81.3%	12,212	75.8%
2004	39,691	43,958	4,267	90.3%	11,510	37.1%
2003	39,243	40,698	1,455	96.4%	10,885	13.4%
2002	38,957	38,265	(692)	101.8%	10,669	(6.5%)
2001	37,968	35,384	(2,584)	107.3%	10,145	(25.5%)
		State Police Officers' Retirement System (SPORS)				
2010	$ 634	$ 949	$ 315	66.8%	$ 98	321.4%
* 2009	647	879	232	73.6%	101	229.7%
2008	646	844	198	76.5%	103	192.2%
2007	595	806	211	73.8%	101	208.9%
2006	539	730	191	73.8%	94	203.2%
* 2005	514	673	159	76.4%	91	174.7%
2004	510	656	146	77.7%	82	178.0%
2003	509	616	107	82.6%	79	135.4%
2002	508	595	87	85.4%	81	107.4%
2001	495	557	62	88.9%	83	74.7%
		Virginia Law Officers' Retirement System (VaLORS)				
2010	$ 925	$ 1,579	$ 654	58.6%	$ 346	189.0%
* 2009	913	1,412	499	64.7%	359	139.0%
2008	873	1,281	408	68.1%	368	110.9%
2007	766	1,166	400	65.7%	341	117.3%
2006	656	1,096	440	59.9%	321	137.1%
* 2005	575	980	405	58.7%	307	131.9%
2004	509	927	418	54.9%	298	140.3%
2003	458	854	396	53.6%	292	135.6%
2002	418	806	388	51.9%	306	126.8%
2001	393	628	235	62.6%	320	73.4%
		Judicial Retirement System (JRS)				
2010	$ 372	$ 560	$ 188	66.4%	$ 61	308.2%
* 2009	378	521	143	72.6%	63	227.0%
2008	374	495	121	75.6%	61	198.4%
2007	340	442	102	76.9%	58	175.9%
2006	302	424	122	71.2%	54	225.9%
* 2005	288	402	114	71.6%	52	219.2%
2004	285	366	81	77.9%	48	168.8%
2003	282	348	66	81.0%	48	137.5%
2002	281	352	71	79.8%	48	147.9%
2001	277	342	65	81.0%	47	138.3%

* Revised economic and demographic assumptions due to experience study.

See Notes on following page.

Valuation Date:	June 30, 2010
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	
State Employees	Level percent, open
Teachers	Level percent, open
Political Subdivision Employees	Level percent, open
State Police/VA Law Officers/Judges	Level percent, open
Payroll Growth Rate:	
State Employees	3.00%
Teachers	3.00%
Political Subdivision Employees	3.00%
State Police/VA Law Officers/Judges	3.00%
Remaining Amortization Period:	
State Employees	20 years
Teachers	20 years
Political Subdivision Employees	20 years
State Police/VA Law Officers/Judges	20 years
Asset Valuation Method:	5 year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return (1)	7.00%
Projected Salary Increases (1)	
State Employees	3.75% to 5.60%
Teachers	3.75% to 6.20%
Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%
State Police/VA Law Officers	3.50% to 4.75%
Judges	4.50%
Cost of Living Adjustments	2.50%

(1) Includes inflation at 2.50%.

Schedule of Employer Contributions – Defined Benefit Pension Plans (1)

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
	Virginia Retirement System (VRS)			
2011	$ 1,577,131	46.73%	$ 736,950	100.00%
2010	1,489,124	66.57%	991,334	100.00%
2009	1,501,018	81.25%	1,219,645	100.00%
2008	1,378,993	92.58%	1,276,645	100.00%
2007	1,299,606	85.89%	1,116,217	100.00%
2006	864,245	89.51%	773,553	100.00%
2005	810,944	85.26%	691,415	100.00%
2004	469,200	91.66%	430,064	100.00%
2003	450,766	67.61%	304,784	100.00%
2002	459,613	79.68%	366,239	100.00%
	State Police Officers' Retirement System (SPORS)			
2011	$ 24,570	30.36%	$ 7,460	100.00%
2010	23,791	66.05%	15,714	100.00%
2009	24,241	83.23%	20,175	100.00%
2008	22,941	91.49%	20,989	100.00%
2007	19,402	84.31%	16,358	100.00%
2006	23,132	65.96%	15,258	100.00%
2005	21,946	65.96%	14,475	100.00%
2004	20,187	51.16%	10,328	100.00%
2003	19,866	44.20%	8,781	100.00%
2002	20,190	50.00%	10,095	100.00%
	Virginia Law Officers' Retirement System (VaLORS)			
2011	$ 53,686	32.14%	$ 17,255	100.00%
2010	57,894	67.41%	39,027	100.00%
2009	60,059	84.80%	50,932	100.00%
2008	61,325	91.20%	55,929	100.00%
2007	56,190	86.03%	48,338	100.00%
2006	77,414	67.96%	52,611	100.00%
2005	74,301	67.96%	50,495	100.00%
2004	72,752	55.80%	40,596	100.00%
2003	72,699	48.00%	34,895	100.00%
2002	77,417	32.30%	25,006	100.00%
	Judicial Retirement System (JRS)			
2011	$ 28,101	61.57%	$ 17,303	100.00%
2010	23,638	72.20%	17,065	100.00%
2009	23,148	90.72%	21,000	100.00%
2008	23,599	94.86%	22,386	100.00%
2007	22,557	91.02%	20,530	100.00%
2006	23,871	67.89%	16,206	100.00%
2005	22,490	67.89%	15,269	100.00%
2004	21,341	71.18%	15,190	100.00%
2003	21,110	64.44%	13,604	100.00%
2002	21,282	50.00%	10,641	100.00%

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

Funding Progress for Other Postemployment Benefit Plans

(Dollars in Millions)

Actuarial Valuation Date June 30	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/[c]
		Group Life Insurance Fund				
2010	$ 929	$ 2,245	$ 1,316	41.4%	$ 16,526	8.0%
2009	967	1,995	1,028	48.5%	16,728	6.1%
2008	975	1,772	797	55.0%	16,267	4.9%
2007	880	1,552	672	56.7%	14,822	4.5%
* 2006	751	1,436	685	52.3%	13,923	4.9%
		Retiree Health Insurance Credit Fund				
2010	$ 278	$ 2,127	$ 1,849	13.1%	$ 13,474	13.7%
2009	294	1,976	1,682	14.9%	13,589	12.4%
2008	261	1,908	1,647	13.7%	12,986	12.7%
2007	198	1,814	1,616	10.9%	10,571	15.3%
* 2006	175	1,316	1,141	13.3%	9,965	11.5%
		Disability Insurance Trust Fund				
2010	$ 303	$ 282	$ (21)	107.3%	$ 3,168	(0.7%)
2009	267	268	1	99.6%	4,080	-
2008	286	363	77	78.8%	4,111	1.9%
2007	264	451	187	58.5%	3,909	4.8%
* 2006	192	423	231	45.4%	3,716	6.2%
		Line of Duty Death and Disability				
2010	$ -	$ 576	$ 576	-	$ N/A	-
2009	-	373	373	-	N/A	-
2008	3	185	182	1.6%	N/A	-
2007	-	146	146	-	N/A	-
* 2006	-	99	99	-	N/A	-
		Pre-Medicare Retiree Healthcare				
** 2009	$ -	$ 1,298	$ 1,298	-	$ 3,297	39.4%
2009	-	1,218	1,218	-	3,170	38.4%
*** 2007	-	982	982	-	2,931	33.5%

* 2006 was the first actuarial valuation prepared using the required parameters of GASB Statement No. 43.
** This is projected data per the 2009 actuarial valuation.
***2007 was the first actuarial valuation prepared for Pre-Medicare Retiree Healthcare.

See Notes on following page.

Notes for Funding Progress for Other Postemployment Benefit Plans

	Group Life Insurance Fund	Retiree Health Insurance Credit Fund	Disability Insurance Trust Fund	Line of Duty Death and Disability	Pre-Medicare Retiree Healthcare
Valuation Date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	July 01, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open	Level Percent of Pay, Open	Level Percent, Open	Level dollar, Open
Payroll Growth Rate:					
State Employees	3.00%	3.00%	3.00%	3.00%	3.00%
Teachers	3.00%	3.00%	N/A	N/A	N/A
Political Subdivision Employees	3.00%	3.00%	N/A	3.00%	N/A
State Police / Virginia Law Officers	3.00%	3.00%	3.00%	3.00%	3.00%
Judges	3.00%	3.00%	N/A	N/A	N/A
Remaining Amortization Period	26 years	26 years	26 years	30 years	30 years
Asset Valuation Method	5-Year, Smoothed Market	5-Year, Smoothed Market	Market Value	Market Value	Market Value
Actuarial Assumptions:					
Investment Rate of Return (1)	7.00%	7.00%	7.00%	4.75%	4.30%
Projected Salary Increases (1)					
State Employees	3.75% to 5.60%	3.75% to 5.60%	3.75% to 5.60%	N/A	3.75% to 5.60%
Teachers	3.75% to 6.20%	3.75% to 6.20%	N/A	N/A	N/A
Political Subdivision Employees (Non-Hazardous Duty Employees)	3.75% to 5.60%	3.75% to 5.60%	N/A	N/A	N/A
Political Subdivision Employees (Hazardous Duty Employees)	3.50% to 4.75%	3.50% to 4.75%	N/A	N/A	N/A
State Police / Virginia Law Officers	3.50% to 4.75%	3.50% to 4.75%	3.50% to 4.75%	N/A	3.50% to 4.75%
Judges	4.50%	4.50%	N/A	N/A	N/A

(1) Includes inflation at 2.50%.

Schedule of Employer Contributions – Other Postemployment Benefit Plans (1)

(Dollars in Thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Statutory Required Contribution	Percentage Contributed
		Group Life Insurance Fund		
2011	$ 177,378	25.23%	$ 44,744	100.00%
2010	145,228	65.54%	95,185	100.00%
2009	146,545	92.13%	135,019	100.00%
2008	158,740	100.00%	158,740	100.00%
		Retiree Health Insurance Credit Fund		
2011	$ 133,655	36.46%	$ 48,736	100.00%
2010	148,956	66.70%	99,356	100.00%
2009	150,048	96.63%	144,989	100.00%
2008	147,524	100.00%	147,524	100.00%
		Disability Insurance Trust Fund		
2011	$ 28,646	-	$ -	-
2010	76,530	40.32%	30,861	100.00%
2009	78,120	91.33%	71,344	100.00%
2008	97,975	80.00%	78,380	100.00%
		Line of Duty Death and Disability (2)		
2011	$ -	-	$ -	-
2010	16,901	53.75%	9,084	100.00%
2009	16,523	51.51%	8,511	100.00%
2008	9,786	102.45%	10,026	100.00%
		Pre-Medicare Retiree Healthcare		
2011	$ 166,984	17.75%	$ -	-
2010	136,710	17.43%	-	-
2009	131,925	23.34%	-	-
2008	127,426	25.21%	-	-

(1) Contributions made by employers were not in all cases in accordance with the actuarially determined Annual Required Contribution (ARC), but they did meet statutory requirements.

(2) Line of Duty Death and Disability became a cost sharing plan effective July 1, 2010. Accordingly, the net OPEB obligation at the beginning of the transition period has been reduced to zero. Fiscal year 2011 activity was funded with a $10.7 million loan that will be repaid in future periods with contributions received. This amount is reflected as both a receivable and a contribution in the accompanying statements.

Claims Development Information – Risk Management

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2002	2003	2004	2005
1. Required contribution and investment revenue:				
Earned	$ 5,936	$ 5,740	$ 5,279	$ 5,788
Ceded (a)	-	-	-	-
Net earned	5,936	5,740	5,279	5,788
2. Unallocated expenses	902	918	1,209	1,068
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	4,110	3,488	2,861	2,791
Ceded (a)	-	-	-	-
Net incurred	4,110	3,488	2,861	2,791
4. Net paid (cumulative) as of:				
End of policy year	550	380	161	227
One year later	1,979	1,894	1,072	1,699
Two years later	2,291	2,181	1,420	2,079
Three years later	2,556	2,375	1,539	2,332
Four years later	2,864	2,435	1,559	2,438
Five years later	2,900	2,454	1,569	2,451
Six years later	3,054	2,455	1,569	2,455
Seven years later	3,054	2,455	1,594	
Eight years later	3,054	2,456		
Nine years later	3,054			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	4,110	3,488	2,861	2,791
One year later	4,458	3,237	3,302	3,563
Two years later	4,196	2,910	2,306	3,418
Three years later	3,734	2,619	1,700	3,204
Four years later	3,299	2,447	1,697	2,763
Five years later	3,566	2,467	1,648	2,736
Six years later	3,240	2,457	1,642	2,671
Seven years later	3,191	2,458	1,621	
Eight years later	3,191	2,456		
Nine years later	3,191			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	(919)	(1,032)	(1,240)	(120)

The Commonwealth, through the Department of the Treasury, Division of Risk Management, provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 188 in this section.

2006	2007	2008	2009	2010	2011
$ 6,166	$ 6,560	$ 6,759	$ 6,197	$ 5,485	$ 4,131
-	-	-	-	-	-
6,166	6,560	6,759	6,197	5,485	4,131
1,008	1,047	1,307	1,272	1,269	1,310
1,539	2,060	3,330	3,681	3,282	3,102
-	-	-	-	-	-
1,539	2,060	3,330	3,681	3,282	3,102
177	106	493	300	350	367
745	1,051	1,697	1,858	2,139	
1,421	2,436	3,476	2,690		
2,087	2,631	3,753			
2,176	2,662				
2,554					
-	-	-	-	-	-
1,539	2,060	3,330	3,681	3,282	3,102
2,168	3,316	3,928	3,742	5,845	
2,494	3,224	5,420	3,943		
2,872	2,887	5,309			
2,820	2,730				
2,591					
1,052	670	1,979	262	2,563	-

Claims Development Information – Health Care

(Dollars in Thousands)

Comparison of Earned Revenues and Investment Income to Related Costs of Loss and Other Expenses

Fiscal and Policy Year Ended	2002	2003	2004	2005
1. Required contribution and investment revenue:				
Earned	$ 100,836	$ 118,825	$ 137,582	$ 157,959
Ceded (a)	-	-	-	-
Net earned	100,836	118,825	137,582	157,959
2. Unallocated expenses	6,225	6,171	6,271	10,655
3. Estimated incurred claims and expenses, end of policy year:				
Incurred	95,860	104,453	124,887	144,976
Ceded (a)	-	-	-	-
Net incurred	95,860	104,453	124,887	144,976
4. Net paid (cumulative) as of:				
End of policy year	80,974	99,443	99,656	140,452
One year later	-	-	-	-
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
5. Reestimated ceded claims and expenses (a)	-	-	-	-
6. Reestimated incurred claims and expenses:				
End of policy year	95,860	104,453	124,887	144,976
One year later	95,860	104,453	124,887	144,976
Two years later	N/A	N/A	N/A	N/A
Three years later	N/A	N/A	N/A	N/A
Four years later	N/A	N/A	N/A	N/A
Five years later	N/A	N/A	N/A	N/A
Six years later	N/A	N/A	N/A	N/A
Seven years later	N/A	N/A	N/A	
Eight years later	N/A	N/A		
Nine years later	N/A			
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	-	-	-

The Commonwealth, through its Department of Human Resource Management, provides health care insurance for local governmental units, which went into effect in fiscal year 1987.

See Notes on page 188 in this section.

2006	2007	2008	2009	2010	2011
$ 184,360	$ 202,366	$ 211,034	$ 222,498	$ 240,305	$ 246,730
-	-	-	-	-	-
184,360	202,366	211,034	222,498	240,305	246,730
11,899	13,782	16,215	16,400	15,936	15,849
152,289	163,787	185,117	214,411	215,376	213,694
-	-	-	-	-	-
152,289	163,787	185,117	214,411	215,376	213,694
147,534	159,769	181,566	204,655	214,371	209,365
-	-	-	-	-	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-
152,289	163,787	185,117	214,411	215,376	213,694
152,289	163,787	185,117	214,411	215,376	
N/A	N/A	N/A	N/A		
N/A	N/A	N/A			
N/A	N/A				
N/A					
-	-	-	-	-	-

Notes for Claims Development Information Tables

The tables on the previous four pages illustrate how the Risk Management and Health Care Claims Funds earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of each of the past several years. The rows of the tables are defined as follows:

1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

2. This line shows each fiscal year's other operating costs of the funds, including overhead and claims expense not allocable to individual claims.

3. This line shows the funds' gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

4. This section of rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

6. This section of rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)

7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

Notes:

(a) During fiscal year 1997, the Commonwealth implemented GASB Statement No. 30, *Risk Financing Omnibus*. The Commonwealth has no reinsurers; therefore, the ceded amounts on lines 1, 3, and 5 are zero.

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted or committed to finance particular functions and activities of the Commonwealth.

The Health and Social Services Special Revenue Fund accounts for revenues and expenditures related to local health care assistance.

The Other Special Revenue Fund accounts for revenues and expenditures related to business and agricultural activities, and miscellaneous activities throughout the Commonwealth.

Debt Service Funds:

The Debt Service Funds account for transactions related to resources retained and used for the payment of interest and principal on long-term obligations recorded in the Governmental Activities column on the Government-wide Statement of Net Assets.

Primary Government accounts for the payment of principal and interest on bonds used to acquire, construct, or improve parks, highways, and correctional, mental health, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for the payment of principal and interest on bonds used to acquire, construct, and operate public buildings used by the Commonwealth and its political subdivisions.

Capital Project Funds

The Capital Project Funds are maintained to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental or proprietary funds.

Primary Government accounts for the financial resources acquired through the issuance of General Obligation Bonds and Energy Performance Contracts. The resources are used to acquire, construct, or improve land, public buildings, and parking facilities owned by the Commonwealth.

The Virginia Public Building Authority accounts for financial resources acquired through the issuance of section 9(d) bonds. These resources are used to acquire, construct, finance, refinance and operate public buildings used by the Commonwealth and any of its political subdivisions. Resources are also used to finance or refinance reimbursements to localities or governmental entities for the Commonwealth's share of the capital costs for certain authorized projects.

Permanent Funds

Permanent Funds are funds whose principal must remain intact.

Commonwealth Health Research Fund provides financial grants for human health research benefiting the Commonwealth's citizens. The entire fund balance is restricted for use as such as a condition of a legal settlement.

Behavioral Health Endowment Funds provide funds for the welfare of patients in mental health facilities. The entire fund balance is restricted for use as such.

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2011
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Assets			
Cash and Cash Equivalents	$ 130,463	$ 357,330	$ 487,793
Investments	6,903	17,638	24,541
Receivables, Net	52,543	20,979	73,522
Due From Other Funds	-	8,032	8,032
Due From External Parties (Fiduciary Funds)	-	1,016	1,016
Interfund Receivable	-	114,505	114,505
Inventory	5,461	226	5,687
Prepaid Items	17,305	798	18,103
Other Assets	19	1,918	1,937
Loans Receivable from Component Units	-	34,350	34,350
Total Assets	$ 212,694	$ 556,792	$ 769,486
Liabilities and Fund Balances			
Accounts Payable	$ 18,100	$ 27,577	$ 45,677
Amounts Due to Other Governments	-	361	361
Due to Other Funds	3,714	2,799	6,513
Due to Component Units	-	-	-
Due to External Parties (Fiduciary Funds)	3,747	3,800	7,547
Deferred Revenue	17,619	5,641	23,260
Unearned Revenue	2,663	5,857	8,520
Obligations Under Securities Lending Program	4,527	27,068	31,595
Other Liabilities	11	2,155	2,166
Long-term Liabilities Due Within One Year	154	97	251
Total Liabilities	50,535	75,355	125,890
Fund Balances:			
Nonspendable	22,765	914	23,679
Restricted	31,632	119,593	151,225
Committed	101,720	356,756	458,476
Assigned	6,042	4,174	10,216
Total Fund Balances	162,159	481,437	643,596
Total Liabilities and Fund Balances	$ 212,694	$ 556,792	$ 769,486

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ 269	$ 2	$ 271	$ 53,041	$ 101,035	$ 154,076
67,556	-	67,556	-	-	-
-	-	-	-	66	66
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 67,825	$ 2	$ 67,827	$ 53,041	$ 101,101	$ 154,142
$ -	$ 2	$ 2	$ 685	$ 5,927	$ 6,612
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,575	-	2,575
-	-	-	1	2	3
-	-	-	-	41	41
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2	2	3,261	5,970	9,231
-	-	-	-	-	-
67,825	-	67,825	49,780	95,131	144,911
-	-	-	-	-	-
-	-	-	-	-	-
67,825	-	67,825	49,780	95,131	144,911
$ 67,825	$ 2	$ 67,827	$ 53,041	$ 101,101	$ 154,142

Continued on next page

Combining Balance Sheet – Nonmajor Governmental Funds *(Continued from previous page)*

June 30, 2011
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	Total Nonmajor Governmental Funds
Assets				
Cash and Cash Equivalents	$ 149	$ 250	$ 399	$ 642,539
Investments	29,809	-	29,809	121,906
Receivables, Net	-	-	-	73,588
Due From Other Funds	-	-	-	8,032
Due From External Parties (Fiduciary Funds)	-	-	-	1,016
Interfund Receivable	-	-	-	114,505
Inventory	-	-	-	5,687
Prepaid Items	-	-	-	18,103
Other Assets	-	-	-	1,937
Loans Receivable from Component Units	-	-	-	34,350
Total Assets	$ 29,958	$ 250	$ 30,208	$ 1,021,663
Liabilities and Fund Balances				
Accounts Payable	$ 8	$ -	$ 8	$ 52,299
Amounts Due to Other Governments	-	-	-	361
Due to Other Funds	-	-	-	6,513
Due to Component Units	-	-	-	2,575
Due to External Parties (Fiduciary Funds)	-	-	-	7,550
Deferred Revenue	-	-	-	23,301
Unearned Revenue	-	-	-	8,520
Obligations Under Securities Lending Program	-	-	-	31,595
Other Liabilities	-	-	-	2,166
Long-term Liabilities Due Within One Year	-	-	-	251
Total Liabilities	8	-	8	135,131
Fund Balances:				
Nonspendable	28,715	48	28,763	52,442
Restricted	1,235	202	1,437	365,398
Committed	-	-	-	458,476
Assigned	-	-	-	10,216
Total Fund Balances	29,950	250	30,200	886,532
Total Liabilities and Fund Balances	$ 29,958	$ 250	$ 30,208	$ 1,021,663

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Special Revenue Funds		
	Health and Social Services	Other	Total
Revenues			
Taxes	$ 8,572	$ 87,254	$ 95,826
Rights and Privileges	135,315	165,130	300,445
Institutional Revenue	297,053	47,934	344,987
Interest, Dividends, Rents, and Other Investment Income	1,885	11,786	13,671
Other	99,118	224,743	323,861
Total Revenues	541,943	536,847	1,078,790
Expenditures			
Current:			
General Government	667	73,324	73,991
Education	1,577	20,857	22,434
Transportation	-	2,388	2,388
Resources and Economic Development	30,344	274,586	304,930
Individual and Family Services	453,331	52,973	506,304
Administration of Justice	43	80,207	80,250
Capital Outlay	-	17,223	17,223
Debt Service:			
Principal Retirement	-	-	-
Interest and Charges	-	-	-
Total Expenditures	485,962	521,558	1,007,520
Revenues Over (Under) Expenditures	55,981	15,289	71,270
Other Financing Sources (Uses)			
Transfers In	1,412	26,012	27,424
Transfers Out	(38,864)	(52,005)	(90,869)
Notes Issued	-	-	-
Insurance Recoveries	11	5,665	5,676
Bonds Issued	-	-	-
Premium on Debt Issuance	-	-	-
Refunding Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	(37,441)	(20,328)	(57,769)
Net Change in Fund Balances	18,540	(5,039)	13,501
Fund Balance, July 1 as restated	143,619	486,476	630,095
Fund Balance, June 30	$ 162,159	$ 481,437	$ 643,596

Debt Service Funds			Capital Project Funds		
Primary Government	Virginia Public Building Authority	Total	Primary Government	Virginia Public Building Authority	Total
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
174	-	174	186	470	656
7,529	-	7,529	-	-	-
7,703	-	7,703	186	470	656
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	42,778	333,776	376,554
305,295	151,085	456,380	-	-	-
134,707	98,620	233,327	-	-	-
440,002	249,705	689,707	42,778	333,776	376,554
(432,299)	(249,705)	(682,004)	(42,592)	(333,306)	(375,898)
394,799	249,332	644,131	-	-	-
-	-	-	(1,133)	(2,569)	(3,702)
-	-	-	18,205	-	18,205
-	-	-	-	-	-
-	-	-	-	282,820	282,820
-	4,467	4,467	-	16,243	16,243
-	50,780	50,780	-	-	-
-	(54,874)	(54,874)	-	-	-
394,799	249,705	644,504	17,072	296,494	313,566
(37,500)	-	(37,500)	(25,520)	(36,812)	(62,332)
105,325	-	105,325	75,300	131,943	207,243
$ 67,825	$ -	$ 67,825	$ 49,780	$ 95,131	$ 144,911

Continued on next page

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Permanent Funds			
	Commonwealth Health Research Board	Behavioral Health Endowment Funds	Total	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ -	$ -	$ -	$ 95,826
Rights and Privileges	-	-	-	300,445
Institutional Revenue	-	-	-	344,987
Interest, Dividends, Rents, and Other Investment Income	4,805	-	4,805	19,306
Other	-	-	-	331,390
Total Revenues	4,805	-	4,805	1,091,954
Expenditures				
Current:				
General Government	-	-	-	73,991
Education	-	-	-	22,434
Transportation	-	-	-	2,388
Resources and Economic Development	-	-	-	304,930
Individual and Family Services	758	6	764	507,068
Administration of Justice	-	-	-	80,250
Capital Outlay	-	-	-	393,777
Debt Service:				
Principal Retirement	-	-	-	456,380
Interest and Charges	-	-	-	233,327
Total Expenditures	758	6	764	2,074,545
Revenues Over (Under) Expenditures	4,047	(6)	4,041	(982,591)
Other Financing Sources (Uses)				
Transfers In	-	-	-	671,555
Transfers Out	-	-	-	(94,571)
Notes Issued	-	-	-	18,205
Insurance Recoveries	-	-	-	5,676
Bonds Issued	-	-	-	282,820
Premium on Debt Issuance	-	-	-	20,710
Refunding Bonds Issued	-	-	-	50,780
Payment to Refunded Bond Escrow Agent	-	-	-	(54,874)
Total Other Financing Sources (Uses)	-	-	-	900,301
Net Change in Fund Balances	4,047	(6)	4,041	(82,290)
Fund Balance, July 1 as restated	25,903	256	26,159	968,822
Fund Balance, June 30	$ 29,950	$ 250	$ 30,200	$ 886,532

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Health and Social Services			
	Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
Revenues:				
Taxes:				
Motor Fuel	$ -	$ -	$ -	$ -
Deeds, Contracts, Suits	-	-	-	-
Alcoholic Beverage Sales	-	-	-	-
Tobacco Products	-	-	-	-
Public Service Corporations	14,831	14,805	8,572	(6,233)
Other Taxes	-	-	-	-
Rights and Privileges	109,079	134,954	135,106	152
Sales of Property and Commodities	854	750	820	70
Assessments and Receipts for Support of Special Services	-	-	-	-
Institutional Revenue	317,087	303,863	290,726	(13,137)
Interest, Dividends, and Rents	799	289	810	521
Fines, Forfeitures, Court Fees, Penalties, and Escheats	212	295	1,223	928
Receipts from Cities, Counties, and Towns	60,975	59,715	54,972	(4,743)
Private Donations, Gifts and Contracts	4,988	5,015	4,798	(217)
Other	32,174	33,357	37,032	3,675
Total Revenues	540,999	553,043	534,059	(18,984)
Expenditures:				
Current:				
General Government	161	370	332	38
Education	888	1,632	1,558	74
Transportation	-	-	-	-
Resources and Economic Development	31,954	33,658	30,248	3,410
Individual and Family Services	532,675	531,504	462,235	69,269
Administration of Justice	308	400	351	49
Capital Outlay	23	23	-	23
Total Expenditures	566,009	567,587	494,724	72,863
Revenues Over (Under) Expenditures	(25,010)	(14,544)	39,335	53,879
Other Financing Sources (Uses):				
Transfers:				
Transfers In	225	4,450	1,412	(3,038)
Transfers Out	(22,775)	(26,775)	(38,101)	(11,326)
Total Other Financing Sources (Uses)	(22,550)	(22,325)	(36,689)	(14,364)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(47,560)	(36,869)	2,646	39,515
Fund Balance, July 1, as restated	128,969	128,969	128,969	-
Fund Balance, June 30	$ 81,409	$ 92,100	$ 131,615	$ 39,515

See Notes on page 202 in this section.

Other			
Original Budget	Final Budget	Actual	Final/Actual Variance Positive (Negative)
$ 33,839	$ 32,973	$ 33,542	$ 569
-	-	549	549
890	890	877	(13)
83	83	82	(1)
12,294	12,200	12,637	437
41,183	48,442	39,390	(9,052)
180,392	173,486	162,814	(10,672)
3,189	4,416	5,462	1,046
92,720	98,543	100,945	2,402
45,592	48,488	47,798	(690)
11,200	11,483	11,689	206
53,042	55,913	53,072	(2,841)
1,665	1,662	1,206	(456)
1,670	1,173	4,294	3,121
63,039	59,978	66,492	6,514
540,798	549,730	540,849	(8,881)
79,718	89,289	74,632	14,657
23,960	28,566	20,052	8,514
6,360	6,360	2,642	3,718
305,951	326,431	273,192	53,239
57,516	67,120	51,773	15,347
108,514	111,450	79,459	31,991
40,864	46,675	16,707	29,968
622,883	675,891	518,457	157,434
(82,085)	(126,161)	22,392	148,553
26,797	27,266	39,163	11,897
(35,529)	(38,809)	(51,396)	(12,587)
(8,732)	(11,543)	(12,233)	(690)
(90,817)	(137,704)	10,159	147,863
485,730	485,730	485,730	-
$ 394,913	$ 348,026	$ 495,889	$ 147,863

1. As discussed on page 88, the Commonwealth implemented GASB Statement No. 54. Accordingly, the Health and Social Services and Other nonmajor special revenue funds have been restated by ($12.7 million), and ($58.6 million), respectively. Additionally, Health and Social Services has also been restated due to the Prescription Monitoring Fund in the amount of $20.9 million.

2. Basis of Budgeting vs. Modified Accrual Basis Fund Balance (1)

Since the presentation of financial data on the basis of budgeting differs from that presented under accounting principles generally accepted in the United States of America, a schedule reconciling the fund balance on a budgetary basis at June 30, 2011, to the fund balance on a modified accrual basis follows.

(Dollars in Thousands)	Health and Social Services	Other
Fund Balance, Basis of Budgeting	$ 131,615	$ 495,889
Adjustments from Budget to Modified Accrual:		
Accrued Revenues:		
Taxes	-	6,595
Other Revenue	32,469	10,229
Accrued Expenditures/Transfers	(2,140)	(30,894)
Fund Reclassification - Budget to Modified Accrual	215	(382)
Fund Balance, Modified Accrual Basis	$ 162,159	$ 481,437

3. Appropriations

The amounts presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers. The following schedule reconciles original appropriations to the final adjusted expenditure appropriations for the Nonmajor Special Revenue Funds, at June 30, 2011.

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(Dollars in Thousands)	Health and Social Services	Other
Appropriations (1)	$ 566,009	$ 622,883
Supplemental Appropriations:		
Reappropriations (2)	20,023	91,475
Subsequent Executive (3)	843	39,401
Subsequent Legislative (4)	(2,907)	9,980
Capital Outlay Reversions (5)	-	(6,184)
Transfers (6)	3,642	6,423
Capital Outlay Adjustment (7)	(20,023)	(88,087)
Appropriations, as adjusted	$ 567,587	$ 675,891

1. Represents the budget appropriated through Chapter 874, 2010 Acts of Assembly, as amended by Chapter 890, 2011 Acts of Assembly.
2. Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriation Act.
3. Actions taken by the Governor to appropriate any additional revenues collected so that they can be legally spent.
4. Actions taken by the Governor and the General Assembly to adjust the budget.
5. Represents reversions of unexpended capital outlay balances.
6. Represents transfers required by the Appropriation Act.
7. Capital outlay appropriations cover the projects' lives and usually extend beyond the current fiscal year. These amounts have been adjusted to report the amount authorized for expenditure during the current fiscal year.

Nonmajor Enterprise Funds

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. It is the intent that the cost of providing such goods or services will be recovered through user charges.

Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

Risk Management accounts for pooled resources received and used by the Department of the Treasury for financing local government insurance programs. This includes Local Entities Bond Insurance, Public Officials Insurance and Law Enforcement Insurance.

Local Choice Health Care administers a health care plan for the employees of participating local governments.

Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

Consolidated Laboratory provides water testing services and a newborn screening program.

eVA Procurement System accounts for the statewide electronic procurement system.

Department of Environmental Quality accounts for the Title V program that offers services to the general public.

Wireless E-911 Service Board assists in the establishment of wireless E-911 service in Virginia localities.

Virginia Museum of Fine Arts accounts for gift shop and food service activities.

Science Museum of Virginia accounts for gift shop activities.

Behavioral Health Local Funds account for the canteen store and work activity programs.

Combining Statement of Net Assets – Nonmajor Enterprise Funds

June 30, 2011
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 2,326	$ 28,374	$ 106,557
Investments	101	-	-
Receivables, Net	4,078	1	19,741
Due From Other Funds	-	-	-
Inventory	46,870	-	-
Prepaid Items	2,011	1	-
Other Assets	160	-	-
Total Current Assets	55,546	28,376	126,298
Noncurrent Assets:			
Nondepreciable Capital Assets	1,828	-	-
Depreciable Capital Assets, Net	9,199	-	-
Total Noncurrent Assets	11,027	-	-
Total Assets	66,573	28,376	126,298
Liabilities			
Current Liabilities:			
Accounts Payable	17,414	192	4,724
Amounts Due to Other Governments	-	-	-
Due to Other Funds	10,825	12	-
Due to External Parties (Fiduciary Funds)	802	24	-
Interfund Payable	29,468	-	-
Unearned Revenue	104	585	-
Obligations Under Securities Lending Program	431	-	-
Other Liabilities	-	-	-
Claims Payable Due Within One Year	-	5,930	18,656
Long-term Liabilities Due Within One Year	2,750	21	-
Total Current Liabilities	61,794	6,764	23,380
Noncurrent Liabilities:			
Claims Payable Due in More Than One Year	-	12,625	-
Long-term Liabilities Due in More Than One Year	27,695	272	-
Total Noncurrent Liabilities	27,695	12,897	-
Total Liabilities	89,489	19,661	23,380
Net Assets			
Invested in Capital Assets, Net of Related Debt	11,027	-	-
Unrestricted	(33,943)	8,715	102,918
Total Net Assets (Deficit)	$ (22,916)	$ 8,715	$ 102,918

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 9,393	$ 4,505	$ 23,057	$ 3,374	$ 7,712	$ 1,378	$ 116
-	-	-	-	-	-	-
1,296	182	4,423	2	4,063	146	8
100	300	460	-	-	-	-
4,130	18	-	-	-	726	71
-	-	-	-	-	2	-
3	-	-	-	-	6	-
14,922	5,005	27,940	3,376	11,775	2,258	195
4,462	-	-	-	-	-	-
5,935	1,580	199	-	-	-	-
10,397	1,580	199	-	-	-	-
25,319	6,585	28,139	3,376	11,775	2,258	195
1,022	203	1,310	339	1,034	119	-
-	-	-	-	5,399	-	-
181	193	350	852	7	10	6
10	39	37	101	16	12	-
-	-	-	-	-	-	-
-	1,218	8	-	-	-	2
-	-	-	-	-	-	-
-	-	-	-	-	123	-
-	-	-	-	-	-	-
152	148	130	507	32	-	-
1,365	1,801	1,835	1,799	6,488	264	8
-	-	-	-	-	-	-
1,637	1,127	1,017	2,918	467	372	61
1,637	1,127	1,017	2,918	467	372	61
3,002	2,928	2,852	4,717	6,955	636	69
10,397	1,580	199	-	-	-	-
11,920	2,077	25,088	(1,341)	4,820	1,622	126
$ 22,317	$ 3,657	$ 25,287	$ (1,341)	$ 4,820	$ 1,622	$ 126

Continued on next page

Combining Statement of Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

June 30, 2011
(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 480	$ 187,272
Investments	1	102
Receivables, Net	-	33,940
Due From Other Funds	-	860
Inventory	-	51,815
Prepaid Items	-	2,014
Other Assets	-	169
Total Current Assets	481	276,172
Noncurrent Assets:		
Nondepreciable Capital Assets	-	6,290
Depreciable Capital Assets, Net	-	16,913
Total Noncurrent Assets	-	23,203
Total Assets	481	299,375
Liabilities		
Current Liabilities:		
Accounts Payable	-	26,357
Amounts Due to Other Governments	-	5,399
Due to Other Funds	-	12,436
Due to External Parties (Fiduciary Funds)	-	1,041
Interfund Payable	-	29,468
Unearned Revenue	-	1,917
Obligations Under Securities Lending Program	-	431
Other Liabilities	179	302
Claims Payable Due Within One Year	-	24,586
Long-term Liabilities Due Within One Year	-	3,740
Total Current Liabilities	179	105,677
Noncurrent Liabilities:		
Claims Payable Due in More Than One Year	-	12,625
Long-term Liabilities Due in More Than One Year	-	35,566
Total Noncurrent Liabilities	-	48,191
Total Liabilities	179	153,868
Net Assets		
Invested in Capital Assets, Net of Related Debt	-	23,203
Unrestricted	302	122,304
Total Net Assets (Deficit)	$ 302	$ 145,507

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Operating Revenues			
Charges for Sales and Services	$ 581,018	$ 4,131	$ 246,731
Other	17,521	-	-
Total Operating Revenues	598,539	4,131	246,731
Operating Expenses			
Cost of Sales and Services	340,017	-	-
Prizes and Claims	-	7,081	213,695
Personal Services	84,680	606	-
Contractual Services	24,181	565	15,850
Supplies and Materials	2,852	4	-
Depreciation	3,176	-	-
Rent, Insurance, and Other Related Charges	23,849	51	-
Non-recurring Cost Estimate Payments to Providers	-	-	-
Other	2,050	53	-
Total Operating Expenses	480,805	8,360	229,545
Operating Income (Loss)	117,734	(4,229)	17,186
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	197	-	-
Other	9,018	-	-
Total Nonoperating Revenues (Expenses)	9,215	-	-
Income (Loss) Before Transfers	126,949	(4,229)	17,186
Transfers In	1,039	-	-
Transfers Out	(134,295)	(81)	-
Change in Net Assets	(6,307)	(4,310)	17,186
Total Net Assets (Deficit), July 1, as restated	(16,609)	13,025	85,732
Total Net Assets (Deficit), June 30	$ (22,916)	$ 8,715	$ 102,918

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 28,567	$ 8,363	$ 18,674	$ 7,634	$ 52,954	$ 7,332	$ 420
-	-	-	-	-	7	-
28,567	8,363	18,674	7,634	52,954	7,339	420
-	-	-	-	-	2,686	185
-	-	-	-	-	-	-
5,678	3,157	2,902	8,604	1,134	2,779	161
989	491	12,945	758	188	577	-
19,991	1,780	2	68	6	246	4
181	224	46	-	-	-	-
1,066	969	1,278	730	43	-	-
-	-	-	-	37,044	-	-
245	18	26	7	-	-	17
28,150	6,639	17,199	10,167	38,415	6,288	367
417	1,724	1,475	(2,533)	14,539	1,051	53
-	-	-	-	-	-	-
-	-	-	-	-	-	(43)
-	-	-	-	-	-	(43)
417	1,724	1,475	(2,533)	14,539	1,051	10
2,473	-	-	-	-	-	-
(27)	(1,301)	(152)	(359)	(13,505)	(402)	-
2,863	423	1,323	(2,892)	1,034	649	10
19,454	3,234	23,964	1,551	3,786	973	116
$ 22,317	$ 3,657	$ 25,287	$ (1,341)	$ 4,820	$ 1,622	$ 126

Continued on next page

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Operating Revenues		
Charges for Sales and Services	$ 478	$ 956,302
Other	-	17,528
Total Operating Revenues	478	973,830
Operating Expenses		
Cost of Sales and Services	446	343,334
Prizes and Claims	-	220,776
Personal Services	-	109,701
Contractual Services	-	56,544
Supplies and Materials	-	24,953
Depreciation	-	3,627
Rent, Insurance, and Other Related Charges	-	27,986
Non-recurring Cost Estimate Payments to Providers	-	37,044
Other	-	2,416
Total Operating Expenses	446	826,381
Operating Income (Loss)	32	147,449
Nonoperating Revenues (Expenses)		
Interest, Dividends, Rents, and Other Investment Income	-	197
Other	-	8,975
Total Nonoperating Revenues (Expenses)	-	9,172
Income (Loss) Before Transfers	32	156,621
Transfers In	-	3,512
Transfers Out	(5)	(150,127)
Change in Net Assets	27	10,006
Total Net Assets (Deficit), July 1, as restated	275	135,501
Total Net Assets (Deficit), June 30	$ 302	$ 145,507

Combining Statement of Cash Flows – Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	$ 593,091	$ 4,186	$ 247,090
Internal Activity-Receipts from Other Funds	-	-	-
Internal Activity-Payments to Other Funds	-	-	-
Payments to Suppliers for Goods and Services	(369,235)	-	-
Payments for Contractual Services	(24,181)	(469)	(15,787)
Payments for Prizes, Claims, and Loss Control	-	(3,699)	(216,452)
Payments to Employees	(79,460)	(744)	-
Payments to Providers for Non-recurring Cost Estimates	-	-	-
Other Operating Revenue	5,107	-	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	125,322	(726)	14,851
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	1,039	-	-
Transfers Out to Other Funds	(295,551)	(76)	-
Other Noncapital Financing Receipt Activities	203,806	-	-
Other Noncapital Financing Disbursement Activities	(32,722)	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(123,428)	(76)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(1,825)	-	-
Payment of Principal and Interest on Bonds and Notes	(189)	-	-
Other Capital and Related Financing Disbursement Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(2,014)	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(120)	(802)	14,851
Cash and Cash Equivalents, July 1	2,276	29,176	91,706
Cash and Cash Equivalents, June 30	$ 2,156	$ 28,374	$ 106,557
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	$ 2,326	$ 28,374	$ 106,557
Cash and Travel Advances	160	-	-
Less:			
Securities Lending Cash Equivalents	(330)	-	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 2,156	$ 28,374	$ 106,557

Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System	Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia
$ 23,611	$ 7,845	$ 14,781	$ 7,634	$ 53,613	$ 7,434	$ 414
4,596	-	3,397	-	-	-	-
-	(934)	(1,334)	-	(29)	-	-
(21,629)	(1,800)	(2)	(745)	(42)	(3,200)	(179)
(992)	(472)	(12,886)	(723)	(160)	(603)	-
-	-	-	-	-	-	-
(5,096)	(2,803)	(2,648)	(8,066)	(1,079)	(2,499)	(157)
-	-	-	-	(42,384)	-	-
-	-	-	-	-	-	-
(240)	-	(22)	-	-	-	(21)
250	1,836	1,286	(1,900)	9,919	1,132	57
2,473	-	-	-	-	-	-
(27)	(1,301)	(152)	(339)	(13,505)	(402)	-
-	-	-	-	-	-	-
-	(317)	-	-	-	-	(43)
2,446	(1,618)	(152)	(339)	(13,505)	(402)	(43)
(2,473)	(374)	-	-	-	-	-
-	-	-	-	-	-	-
(100)	-	-	-	-	-	-
(2,573)	(374)	-	-	-	-	-
123	(156)	1,134	(2,239)	(3,586)	730	14
9,273	4,661	21,923	5,613	11,298	654	102
$ 9,396	$ 4,505	$ 23,057	$ 3,374	$ 7,712	$ 1,384	$ 116
$ 9,393	$ 4,505	$ 23,057	$ 3,374	$ 7,712	$ 1,378	$ 116
3	-	-	-	-	6	-
-	-	-	-	-	-	-
$ 9,396	$ 4,505	$ 23,057	$ 3,374	$ 7,712	$ 1,384	$ 116

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Behavioral Health Local Funds	Total
Cash Flows from Operating Activities		
Receipts for Sales and Services	$ 478	$ 960,177
Internal Activity-Receipts from Other Funds	-	7,993
Internal Activity-Payments to Other Funds	-	(2,297)
Payments to Suppliers for Goods and Services	(446)	(397,278)
Payments for Contractual Services	-	(56,273)
Payments for Prizes, Claims, and Loss Control	-	(220,151)
Payments to Employees	-	(102,552)
Payments to Providers for Non-recurring Cost Estimates	-	(42,384)
Other Operating Revenue	-	5,107
Other Operating Expense	-	(283)
Net Cash Provided by (Used for) Operating Activities	32	152,059
Cash Flows from Noncapital Financing Activities		
Transfers In From Other Funds	-	3,512
Transfers Out to Other Funds	(5)	(311,358)
Other Noncapital Financing Receipt Activities	-	203,806
Other Noncapital Financing Disbursement Activities	-	(33,082)
Net Cash Provided by (Used for) Noncapital Financing Activities	(5)	(137,122)
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	-	(4,672)
Payment of Principal and Interest on Bonds and Notes	-	(189)
Other Capital and Related Financing Disbursement Activities	-	(100)
Net Cash Provided By (Used for) Capital and Related Financing Activities	-	(4,961)
Net Increase (Decrease) in Cash and Cash Equivalents	27	9,976
Cash and Cash Equivalents, July 1	453	177,135
Cash and Cash Equivalents, June 30	$ 480	$ 187,111
Reconciliation of Cash and Cash Equivalents		
Per the Statement of Net Assets:		
Cash and Cash Equivalents	$ 480	$ 187,272
Cash and Travel Advances	-	169
Less:		
Securities Lending Cash Equivalents	-	(330)
Cash and Cash Equivalents per the Statement of Cash Flows	$ 480	$ 187,111

	Department of Alcoholic Beverage Control	Risk Management	Local Choice Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ 117,734	$ (4,229)	$ 17,186
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	3,176	-	-
Other Expenses	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(283)	(1)	1,975
(Increase) Decrease in Due From Other Funds	-	-	-
(Increase) Decrease in Inventory	(780)	-	-
(Increase) Decrease in Prepaid Items	(344)	27	-
Increase (Decrease) in Accounts Payable	(1,018)	119	(92)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	800	1	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	65	2	-
Increase (Decrease) in Interfund Payables	(59)	-	-
Increase (Decrease) in Unearned Revenue	(58)	56	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	991	(4,218)
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	2,275	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	140	2	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	5,949	31	-
Net Cash Provided by (Used for) Operating Activities	$ 125,322	$ (726)	$ 14,851

Continued on next page

Combining Statement of Cash Flows – Nonmajor Enterprise Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Virginia Industries for the Blind	Consolidated Laboratory	eVA Procurement System
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ 417	$ 1,724	$ 1,475
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	181	224	46
Other Expenses	-	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(360)	33	(45)
(Increase) Decrease in Due From Other Funds	-	-	(454)
(Increase) Decrease in Inventory	(415)	9	-
(Increase) Decrease in Prepaid Items	-	-	-
Increase (Decrease) in Accounts Payable	(234)	26	(52)
Increase (Decrease) in Amounts Due to Other Governments	-	-	-
Increase (Decrease) in Due to Other Funds	117	24	60
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(10)	5	2
Increase (Decrease) in Interfund Payables	-	-	-
Increase (Decrease) in Unearned Revenue	-	(551)	8
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	-
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	(49)	6	(2)
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	603	336	248
Net Cash Provided by (Used for) Operating Activities	$ 250	$ 1,836	$ 1,286

Department of Environmental Quality	Wireless E-911 Service Board	Virginia Museum of Fine Arts	Science Museum of Virginia	Behavioral Health Local Funds	Total
$ (2,533)	$ 14,539	$ 1,051	$ 53	$ 32	$ 147,449
-	-	-	-	-	3,627
-	4,220	-	-	-	4,220
-	651	95	(8)	-	2,057
-	-	-	-	-	(454)
-	-	(155)	7	-	(1,334)
-	-	(1)	-	-	(318)
5	(97)	(19)	-	-	(1,362)
-	(9,464)	-	-	-	(9,464)
188	3	10	-	-	1,203
4	1	12	-	-	81
-	-	-	-	-	(59)
-	-	-	1	-	(544)
-	-	(26)	-	-	(26)
-	-	-	-	-	(3,227)
-	-	-	-	-	2,275
(8)	6	(10)	-	-	85
444	60	175	4	-	7,850
$ (1,900)	$ 9,919	$ 1,132	$ 57	$ 32	$ 152,059

Internal Service Funds

Internal Service Funds account for the operations of state agencies that render services to other state agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Virginia Information Technologies Agency accounts for the installation and maintenance of the state government's telephone system; the development, use and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Virginia Correctional Enterprises accounts for the manufacturing activities of the state's correctional facilities.

Health Care accounts for the health insurance programs provided to state employees and for retirees who are not yet eligible to participate in Medicare.

Fleet Management accounts for the Commonwealth's motor vehicle pool.

Property Management accounts for real estate services, non-routine facility maintenance, and the disposal of state-owned property.

Risk Management accounts for the insurance programs provided to state agencies and institutions.

General Services accounts for a variety of services, including the purchase of supplies, the sale of surplus property, water testing, graphic design and engineering.

Payroll Service Bureau accounts for the payroll and leave accounting services provided to state agencies and institutions.

Combining Statement of Net Assets – Internal Service Funds

June 30, 2011
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Assets			
Current Assets:			
Cash and Cash Equivalents	$ 36,142	$ 5,093	$ 198,189
Receivables, Net	2,775	5,455	1,980
Due From Other Funds	14,600	1,349	20,309
Due From External Parties (Fiduciary Funds)	-	-	129
Due From Component Units	-	-	12,175
Inventory	-	12,952	-
Prepaid Items	51	-	-
Other Assets	13,595	3	-
Total Current Assets	67,163	24,852	232,782
Noncurrent Assets:			
Nondepreciable Capital Assets	-	345	-
Depreciable Capital Assets, Net	3,729	8,504	-
Total Noncurrent Assets	3,729	8,849	-
Total Assets	70,892	33,701	232,782
Liabilities			
Current Liabilities:			
Accounts Payable	24,030	1,021	20,658
Amounts Due to Other Governments	-	323	-
Due to Other Funds	166	174	-
Due to External Parties (Fiduciary Funds)	293	143	-
Interfund Payable	37,000	-	-
Unearned Revenue	35,175	1,031	-
Other Liabilities	-	1	-
Claims Payable Due Within One Year	-	-	81,480
Long-term Liabilities Due within One Year	767	9	-
Total Current Liabilities	97,431	2,702	102,138
Noncurrent Liabilities:			
Interfund Payable	-	-	-
Claims Payable Due In More Than One Year	-	-	-
Long-term Liabilities Due in More Than One Year	9,128	5,014	-
Total Noncurrent Liabilities	9,128	5,014	-
Total Liabilities	106,559	7,716	102,138
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,729	8,849	-
Unrestricted	(39,396)	17,136	130,644
Total Net Assets (Deficit)	$ (35,667)	$ 25,985	$ 130,644

Fleet Management	Property Management	Risk Management	General Services	Payroll Service Bureau	Total
$ 3,718	$ 23,931	$ 151,961	$ 6,055	$ 238	$ 425,327
336	210	219	1,553	-	12,528
1,335	2,451	-	868	-	40,912
-	-	-	-	-	129
-	-	-	-	-	12,175
40	374	-	4,252	-	17,618
-	-	2	425	111	589
-	-	100	2	-	13,700
5,429	26,966	152,282	13,155	349	522,978
-	-	-	150	-	495
22,918	11,711	-	7,173	-	54,035
22,918	11,711	-	7,323	-	54,530
28,347	38,677	152,282	20,478	349	577,508
807	2,058	2,739	1,311	79	52,703
-	827	-	-	-	1,150
171	604	3	402	12	1,532
13	149	7	87	21	713
-	220	-	632	-	37,852
170	18,803	53,385	30	-	108,594
-	139	5,047	-	-	5,187
-	-	76,188	-	-	157,668
941	3,336	31	358	91	5,533
2,102	26,136	137,400	2,820	203	370,932
-	4,385	-	3,793	-	8,178
-	-	412,000	-	-	412,000
5,445	18,671	564	2,291	623	41,736
5,445	23,056	412,564	6,084	623	461,914
7,547	49,192	549,964	8,904	826	832,846
16,989	(5,194)	-	7,323	-	31,696
3,811	(5,321)	(397,682)	4,251	(477)	(287,034)
$ 20,800	$ (10,515)	$ (397,682)	$ 11,574	$ (477)	$ (255,338)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Operating Revenues			
Charges for Sales and Services	$ 304,406	$ 54,328	$ 961,240
Other	-	-	1
Total Operating Revenues	304,406	54,328	961,241
Operating Expenses			
Cost of Sales and Services	-	40,434	-
Prizes and Claims	-	-	913,719
Personal Services	19,297	5,191	-
Contractual Services	268,123	3,094	62,469
Supplies and Materials	120	691	-
Depreciation	2,525	1,004	-
Rent, Insurance, and Other Related Charges	3,133	1,106	-
Interest Expense	-	-	-
Other	3,310	459	-
Total Operating Expenses	296,508	51,979	976,188
Operating Income (Loss)	7,898	2,349	(14,947)
Nonoperating Revenues (Expenses)			
Interest, Dividends, Rents, and Other Investment Income	-	-	-
Other	-	99	-
Total Nonoperating Revenues (Expenses)	-	99	-
Income (Loss) Before Transfers	7,898	2,448	(14,947)
Transfers In	-	-	500
Transfers Out	(1,131)	(2,240)	-
Change in Net Assets	6,767	208	(14,447)
Total Net Assets (Deficit), July 1, as restated	(42,434)	25,777	145,091
Total Net Assets (Deficit), June 30	$ (35,667)	$ 25,985	$ 130,644

Fleet Management	Property Management	Risk Management	General Services	Payroll Service Bureau	Total
$ 14,151	$ 99,643	$ 96,677	$ 41,302	$ 1,745	$ 1,573,492
-	-	21	-	-	22
14,151	99,643	96,698	41,302	1,745	1,573,514
-	-	-	27,677	-	68,111
-	-	113,566	-	-	1,027,285
1,085	11,943	1,517	6,431	1,693	47,157
3,106	12,029	9,763	3,320	41	361,945
4,336	4,344	6	838	3	10,338
5,461	2,397	-	776	-	12,163
796	61,190	2,065	1,819	106	70,215
-	23	-	33	-	56
40	3,348	5,659	204	1	13,021
14,824	95,274	132,576	41,098	1,844	1,610,291
(673)	4,369	(35,878)	204	(99)	(36,777)
-	-	-	142	-	142
(128)	(2,903)	-	-	-	(2,932)
(128)	(2,903)	-	142	-	(2,790)
(801)	1,466	(35,878)	346	(99)	(39,567)
-	-	-	363	-	863
(49)	(844)	(4,382)	(305)	(79)	(9,030)
(850)	622	(40,260)	404	(178)	(47,734)
21,650	(11,137)	(357,422)	11,170	(299)	(207,604)
$ 20,800	$ (10,515)	$ (397,682)	$ 11,574	$ (477)	$ (255,338)

Combining Statement of Cash Flows – Internal Service Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Cash Flows from Operating Activities			
Receipts for Sales and Services	$ 13,719	$ 25,661	$ 477,821
Internal Activity-Receipts from Other Funds	293,113	28,440	482,797
Internal Activity-Payments to Other Funds	(860)	(1,674)	-
Payments to Suppliers for Goods and Services	(16,010)	(43,116)	-
Payments for Contractual Services	(269,931)	(3,101)	(62,257)
Payments for Prizes, Claims, and Loss Control	-	-	(917,757)
Payments to Employees	(20,509)	(4,165)	-
Other Operating Expense	-	-	-
Net Cash Provided by (Used for) Operating Activities	(478)	2,045	(19,396)
Cash Flows from Noncapital Financing Activities			
Transfers In From Other Funds	-	-	500
Transfers Out to Other Funds	(1,131)	(2,240)	-
Other Noncapital Financing Receipt Activities	7,000	-	-
Other Noncapital Financing Disbursement Activities	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	5,869	(2,240)	500
Cash Flows from Capital and Related Financing Activities			
Acquisition of Capital Assets	(3,157)	(1,433)	-
Payment of Principal and Interest on Bonds and Notes	-	-	-
Proceeds from Sale of Capital Assets	-	15	-
Other Capital and Related Financing Receipt Activities	-	-	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(3,157)	(1,418)	-
Net Increase (Decrease) in Cash and Cash Equivalents	2,234	(1,613)	(18,896)
Cash and Cash Equivalents, July 1	33,908	6,709	217,085
Cash and Cash Equivalents, June 30	$ 36,142	$ 5,096	$ 198,189
Reconciliation of Cash and Cash Equivalents			
Per the Statement of Net Assets:			
Cash and Cash Equivalents	$ 36,142	$ 5,093	$ 198,189
Cash and Travel Advances	-	3	-
Cash and Cash Equivalents per the Statement of Cash Flows	$ 36,142	$ 5,096	$ 198,189

Fleet Management	Property Management	Risk Management	General Services	Payroll Service Bureau	Total
$ 1,474	$ 4,960	$ 33,411	$ 12,338	$ 34	$ 569,418
11,531	98,977	69,110	28,384	1,712	1,014,064
(1,909)	(3,416)	-	(2,604)	-	(10,463)
(3,341)	(64,138)	(6)	(28,174)	(3)	(154,788)
(2,620)	(11,743)	(9,712)	(3,308)	(41)	(362,713)
-	-	(64,386)	-	-	(982,143)
(992)	(10,926)	(1,428)	(6,013)	(1,518)	(45,551)
-	(1,495)	(7,692)	-	(113)	(9,300)
4,143	12,219	19,297	623	71	18,524
-	-	-	363	-	863
(49)	(844)	(4,382)	(305)	(79)	(9,030)
-	-	-	142	-	7,142
-	(229)	-	(1,264)	-	(1,493)
(49)	(1,073)	(4,382)	(1,064)	(79)	(2,518)
(3,620)	-	-	-	-	(8,210)
(1,543)	(5,943)	-	(2)	-	(7,488)
917	-	-	-	-	932
-	13	-	-	-	13
(4,246)	(5,930)	-	(2)	-	(14,753)
(152)	5,216	14,915	(443)	(8)	1,253
3,870	18,715	137,146	6,500	246	424,179
$ 3,718	$ 23,931	$ 152,061	$ 6,057	$ 238	$ 425,432
$ 3,718	$ 23,931	$ 151,961	$ 6,055	$ 238	$ 425,327
-	-	100	2	-	105
$ 3,718	$ 23,931	$ 152,061	$ 6,057	$ 238	$ 425,432

Continued on next page

Combining Statement of Cash Flows – Internal Service Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Virginia Information Technologies Agency	Virginia Correctional Enterprises	Health Care
Reconciliation of Operating Income			
To Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	$ 7,898	$ 2,349	$ (14,947)
Adjustments to Reconcile Operating			
Income to Net Cash Provided by (Used for)			
Operating Activities:			
Depreciation	2,525	1,004	-
Miscellaneous Nonoperating Income	-	221	-
Other Expenses	(7,342)	-	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	129	(785)	7,912
(Increase) Decrease in Due From Other Funds	(908)	45	(330)
(Increase) Decrease in Due From External Parties (Fiduciary Funds)	-	-	(8)
(Increase) Decrease in Due From Component Units	-	-	(372)
(Increase) Decrease in Other Assets	(5,917)	-	-
(Increase) Decrease in Inventory	-	(1,993)	-
(Increase) Decrease in Prepaid Items	(51)	-	-
Increase (Decrease) in Accounts Payable	(10,602)	(439)	1,244
Increase (Decrease) in Amounts Due to Other Governments	-	323	-
Increase (Decrease) in Due to Other Funds	56	53	-
Increase (Decrease) in Due to External Parties (Fiduciary Funds)	(29)	4	-
Increase (Decrease) in Unearned Revenue	14,881	320	-
Increase (Decrease) in Other Liabilities	-	-	-
Increase (Decrease) in Claims Payable: Due Within One Year	-	-	(12,895)
Increase (Decrease) in Claims Payable: Due in More Than One Year	-	-	-
Increase (Decrease) in Long-term Liabilities: Due Within One Year	-	(37)	-
Increase (Decrease) in Long-term Liabilities: Due in More Than One Year	(1,118)	980	
Net Cash Provided by (Used for) Operating Activities	$ (478)	$ 2,045	$ (19,396)
Noncash Investing, Capital, and Financing Activities:			
The following transactions occurred prior to the statement of net assets date:			
Installment Purchases Used to Finance Capital Assets	$ -	$ -	$ -
Change in Fair Value of Investments	-	5	-
Capital Asset Addition Included in Accounts Payable	-	-	-
Total Noncash, Investing, Capital, and Financing Activities	$ -	$ 5	$ -

Fleet Management	Property Management	Risk Management	General Services	Payroll Service Bureau	Total
$ (673)	$ 4,369	$ (35,878)	$ 204	$ (99)	$ (36,777)
5,461	2,397	-	776	-	12,163
-	-	-	-	-	221
-	-	-	-	-	(7,342)
(125)	239	145	(309)	-	7,206
(834)	(629)	-	(236)	1	(2,891)
-	-	-	-	-	(8)
-	-	-	-	-	(372)
-	-	-	-	-	(5,917)
-	(59)	-	(254)	-	(2,306)
-	5	38	(425)	(6)	(439)
316	218	1,209	485	14	(7,555)
-	110	-	-	-	433
73	(234)	1	108	6	63
1	7	1	5	2	(9)
(156)	5,042	5,677	15	-	25,779
-	(159)	4,290	(52)	-	4,079
-	-	11,142	-	-	(1,753)
-	-	32,579	-	-	32,579
(17)	(9)	2	2	(3)	(62)
97	922	91	304	156	1,432
$ 4,143	$ 12,219	$ 19,297	$ 623	$ 71	$ 18,524
$ 5,261	$ -	$ -	$ -	$ -	$ 5,261
-	-	-	-	-	5
43	-	-	-	-	43
$ 5,304	$ -	$ -	$ -	$ -	$ 5,309

Fiduciary Funds

Private Purpose Trust Funds

Private Purpose Trust Funds are trust arrangements that benefit individuals, private organizations, or other governments.

Unclaimed Property accounts for unclaimed and escheat property that the state holds for its rightful owner.

Education Savings Trust Fund accounts for the activities of the Virginia Education Savings Trust program which is a voluntary, non-guaranteed, higher educational investment program offered by the Virginia College Savings Plan.

Loan Servicing Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the Declarations of the dissolved Virginia Education Loan Authority.

Edvantage Reserve accounts for funds that are used to service loan activities for individual loans in order to meet the provisions of the dissolved Student Education Assistance Authority.

Virginia Revolving Farm Loan Program accounts for trust funds that are used to provide loans to individual farmers for rural rehabilitation purposes.

Gas and Oil Board Fund accounts for the funds held in escrow awaiting disbursement to the validated owner of property containing gas and oil interest.

Miscellaneous Trust Funds account for perpetual trusts created through donations to the state. Earnings are used for the benefit of donor-specified local entities.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds reflect the activities of the retirement systems and postemployment benefits administered by the Virginia Retirement System (VRS) or the Department of Accounts.

The Virginia Retirement System provides retirement benefits to Commonwealth employees, teachers, political subdivision employees, and other qualifying employees.

The State Police Officers' Retirement System provides retirement benefits to Virginia state police officers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Virginia Law Officers' Retirement System provides retirement benefits to correctional officers, capital police officers, university police officers, and game wardens.

Political Appointees provides optional retirement benefits to selected officials and administrative staff.

The Public School Superintendents' Plan provides retirement benefits to superintendents in the public school system.

The Virginia Supplemental Retirement Plan provides extra benefits to turn-around specialists in the public school system.

Other Postemployment Retiree Health Insurance Credit Fund accounts for the health insurance credits provided by the Commonwealth which offset a portion of the retirees' monthly insurance premiums.

Other Employment Group Life Fund provides life insurance coverage to members of the retirement systems.

Other Postemployment Disability Insurance Trust Fund provides income protection to Commonwealth employees for absences caused by sickness or disability.

Other Employment Volunteer Firefighters' and Rescue Squad Workers' Fund provides optional retirement benefits to volunteer firefighters and rescue squad workers.

Other Postemployment Line of Duty Death and Disability Fund provides death and health benefits to beneficiaries of certain law enforcement and rescue personnel disabled or killed in the line of duty.

Investment Trust Fund

Investment Trust Fund reflects the external portion of the local government investment pool sponsored by the Commonwealth.

Local Government Investment Pool (LGIP) helps local governmental entities maximize their rate of return by commingling their resources for investment purposes.

Agency Funds

Agency Funds report those funds for which the Commonwealth acts solely in a custodial capacity.

Funds for the Collection of Taxes and Fees account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Contractor Deposits Fund accounts for reimbursable deposits, including both cash and securities, from mining companies, road construction companies, and from motor fuel retailers to ensure performance meets regulatory standards.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

Inmate and Ward Fund accounts for the savings of inmates and wards of the Departments of Corrections and Juvenile Justice.

Child Support Collection Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Behavioral Health Patient Fund accounts for the savings of patients in the Commonwealth's mental health facilities.

Behavioral Health Non-patient Fund accounts for the savings of non-patients in the Commonwealth's mental health facilities.

Comptroller's Debt Setoff Fund accounts for monies held in a suspense status while research is conducted to determine the party entitled to the funds.

Unclaimed Property of Other States Fund accounts for unclaimed property that is due to other states.

Legal Settlement Fund accounts for receipts from court judgments that are deposited and subsequently distributed to the appropriate injured parties.

Consumer Services Fund accounts for deposits made by businesses that will provide assistance to individuals suffering losses associated with these businesses and will be returned after dispute resolution. The Milk Commission, which accounts for deposits from milk producers that will be distributed to individual farmers to offset delivery expenses and losses incurred, is reported as part of this fund.

State Asset Forfeiture Fund accounts for seized assets that are deposited and subsequently distributed to the appropriate parties pursuant to court orders.

Virginia School for the Deaf and the Blind Fund accounts for student funds used to establish new activities for students.

Woodrow Wilson Rehabilitation Center Fund accounts for student funds held by the center.

Third Party Administrator Fund (formerly the Commuter Rail Fund) accounts for funds held in custody for assets of the Virginia Railway Express and the van pool insurance program.

Department of Environmental Quality Fund accounts for deposits from the EPA as a result of a legal settlement which will be distributed to localities to retro-fit school buses.

Virginia Veterans' Care Center Resident Fund accounts for the savings of residents of the Virginia Veterans Care Center.

Virginia Individual Development Account Trust Fund accounts for funds used to benefit low income individuals and to assist them in purchasing affordable housing.

E-Payables Fund accounts for payments to vendors which are held in a suspense status until the electronic payment is processed.

Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds

June 30, 2011
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
Assets			
Cash and Cash Equivalents	$ 25,846	$ 40,812	$ 190
Investments:			
Bonds and Mortgage Securities	-	55,024	-
Stocks	254,578	61,657	-
Index and Pooled Funds	-	582,987	-
Mutual and Money Market Funds	53,756	837,503	-
Other	72	206,258	-
Total Investments	308,406	1,743,429	-
Receivables, Net:			
Accounts	-	-	-
Interest and Dividends	-	1,671	-
Total Receivables	-	1,671	-
Prepaid Items	212	-	-
Total Assets	334,464	1,785,912	190
Liabilities			
Accounts Payable and Accrued Expenses	251	1,098	-
Due to Other Funds	38	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	26	-	-
Obligations Under Securities Lending Program	-	-	-
Other Liabilities	-	31	-
Compensated Absences Payable	224	-	-
Pension Liability	826	-	-
Other Postemployment Benefits (OPEB) Liability	251	-	-
Total Liabilities	1,616	1,129	-
Net Assets Held in Trust for Participants	$ 332,848	$ 1,784,783	$ 190

Edvantage Reserve	Virginia Revolving Farm Loan Program	Gas and Oil Board Escrow Account	Miscellaneous Trust	Total
$ 267	$ 6,347	$ 27,016	$ 66	$ 100,544
-	-	-	-	55,024
-	-	-	-	316,235
-	-	-	-	582,987
-	-	-	-	891,259
-	264	-	-	206,594
-	264	-	-	2,052,099
-	5	-	-	5
-	-	-	-	1,671
-	5	-	-	1,676
-	-	-	-	212
267	6,616	27,016	66	2,154,531
-	3	-	-	1,352
-	1	-	-	39
-	-	-	-	26
-	1,124	-	-	1,124
-	-	-	-	31
-	3	-	-	227
-	6	-	-	832
-	2	-	-	253
-	1,139	-	-	3,884
$ 267	$ 5,477	$ 27,016	$ 66	$ 2,150,647

Combining Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Funds

For the Fiscal Year June 30, 2011
(Dollars in Thousands)

	Unclaimed Property	Education Savings Trust Fund	Loan Servicing Reserve
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ -	$ 265,966	$ -
Total Investment Income	-	265,966	-
Less Investment Expenses	-	3,172	-
Net Investment Income	-	262,794	-
Proceeds from Unclaimed Property	142,853	-	-
Contributions:			
Participants	-	269,917	-
Total Contributions	-	269,917	-
Other Revenue	1	-	-
Total Additions	142,854	532,711	-
Deductions:			
Loan Servicing Payments	-	-	-
Educational Expense Benefits	-	93,943	-
Insurance Premiums and Claims	28,621	-	-
Trust Payments	-	-	-
Administrative Expenses	4,484	149	-
Shares Redeemed	-	11,253	-
Total Deductions	33,105	105,345	-
Net Increase (Decrease)	109,749	427,366	-
Net Assets Held in Trust for Participants			
July 1	223,099	1,357,417	190
June 30	$ 332,848	$ 1,784,783	$ 190

Edvantage Reserve	Virginia Revolving Farm Loan Program	Gas and Oil Board Escrow Account	Miscellaneous Trust	Total
$ -	$ 80	$ 147	$ -	$ 266,193
-	80	147	-	266,193
-	-	26	-	3,198
-	80	121	-	262,995
-	-	-	-	142,853
-	-	3,119	-	273,036
-	-	3,119	-	273,036
-	-	-	-	1
-	80	3,240	-	678,885
-	66	-	-	66
-	-	-	-	93,943
-	-	-	-	28,621
-	-	2,098	-	2,098
10	129	88	-	4,860
-	-	-	-	11,253
10	195	2,186	-	140,841
(10)	(115)	1,054	-	538,044
277	5,592	25,962	66	1,612,603
$ 267	$ 5,477	$ 27,016	$ 66	$ 2,150,647

Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

June 30, 2011
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Assets			
Cash and Cash Equivalents	$ 52,250	$ 839	$ 502
Investments:			
Bonds and Mortgage Securities	16,811,634	196,193	117,491
Stocks	19,951,441	232,837	139,435
Fixed Income Commingled Funds	1,778,092	20,750	12,427
Index and Pooled Funds	5,762,736	67,251	40,274
Real Estate	2,922,932	34,111	20,428
Private Equity	4,879,975	56,950	34,105
Short-term Investments	132,945	1,551	929
Other	3,440,342	40,149	24,045
Total Investments	55,680,097	649,792	389,134
Receivables, Net:			
Contributions	83,342	1,962	4,979
Interest and Dividends	191,177	2,231	1,336
Security Transactions	1,338,723	15,623	9,356
Other Receivables	101,879	1,175	704
Total Receivables	1,715,121	20,991	16,375
Due from Other Funds	34	1	-
Due from Internal Parties (Governmental Funds and Busines-type Activities)	48,012	1,136	-
Due from Component Units	24,972	-	-
Furniture and Equipment	23,164	-	-
Total Assets	57,543,650	672,759	406,011
Liabilities			
Accounts Payable and Accrued Expenses	26,288	282	168
Due to Other Funds	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	189	-	-
Obligations Under Securities Lending Program	3,445,589	40,210	24,080
Other Liabilities	185,681	2,156	1,291
Retirement Benefits Payable	239,961	3,881	2,578
Refunds Payable	3,781	3	-
Compensated Absences Payable	1,961	-	-
Insurance Premiums and Claims Payable	-	-	-
Payable for Security Transactions	2,359,865	27,540	16,492
Pension Liability	7,291	81	49
Other Postemployment Benefits (OPEB) Liability	2,210	23	14
Total Liabilities	6,272,816	74,176	44,672
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes	$ 51,270,834	$ 598,583	$ 361,339

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
$ 1,270	$ -	$ -	$ -	$ 302	$ 1,214	$ 495
297,000	2,115	14	78	70,650	283,861	118,910
352,468	3,483	-	-	83,845	336,876	141,119
31,412	-	-	-	7,472	30,023	12,577
101,806	1,183	25	-	24,218	97,303	40,760
51,637	-	-	-	12,283	49,353	20,674
86,211	-	-	-	20,508	82,398	34,516
2,348	-	-	-	559	2,244	953
60,777	-	-	-	14,458	58,090	24,333
983,659	6,781	39	78	233,993	940,148	393,842
5,052	-	-	-	2,119	1,822	3
3,377	-	-	-	803	3,228	1,352
23,650	-	-	-	5,626	22,604	9,469
1,779	-	-	-	434	1,701	7,281
33,858	-	-	-	8,982	29,355	18,105
2	-	-	-	1	10,732	-
2,927	-	-	-	1,228	1,056	1
607	-	-	-	286	543	32
-	-	-	-	-	-	-
1,022,323	6,781	39	78	244,792	983,048	412,475
426	-	-	-	10,463	407	839
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,871	-	-	-	14,480	58,178	24,371
3,264	-	-	-	776	3,119	1,307
5,240	-		-	-	-	-
167	-		-	123	140	197
-	-	-	-	-	-	-
-	-	-	-	-	48,293	-
41,690	-	-	-	9,917	39,846	16,691
98	-	-	-	132	197	227
34	-	-	-	44	52	74
111,790	-	-	-	35,935	150,232	43,706
$ 910,533	$ 6,781	$ 39	$ 78	$ 208,857	$ 832,816	$ 368,769

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Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

June 30, 2011
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Total
Assets			
Cash and Cash Equivalents	$ -	$ -	$ 56,872
Investments:			
Bonds and Mortgage Securities	38	-	17,897,984
Stocks	-	-	21,241,504
Fixed Income Commingled Funds	-	-	1,892,753
Index and Pooled Funds	-	-	6,135,556
Real Estate	-	-	3,111,418
Private Equity	-	-	5,194,663
Short-term Investments	-	-	141,529
Other	1,942		3,664,136
Total Investments	1,980	-	59,279,543
Receivables, Net:			
Contributions	-	10,678	109,957
Interest and Dividends	-	-	203,504
Security Transactions	-	-	1,425,051
Other Receivables	-	88	115,041
Total Receivables	-	10,766	1,853,553
Due from Other Funds	-	-	10,770
Due from Internal Parties (Governmental Funds and Busines-type Activities)	-	-	54,360
Due from Component Units	-	-	26,440
Furniture and Equipment	-	-	23,164
Total Assets	1,980	10,766	61,304,702
Liabilities			
Accounts Payable and Accrued Expenses	-	-	38,873
Due to Other Funds	-	10,731	10,731
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	189
Obligations Under Securities Lending Program	-	-	3,667,779
Other Liabilities	-	-	197,594
Retirement Benefits Payable	-	-	251,660
Refunds Payable	-	-	4,411
Compensated Absences Payable	-	-	1,961
Insurance Premiums and Claims Payable	-	-	48,293
Payable for Security Transactions	-	-	2,512,041
Pension Liability	-	24	8,099
Other Postemployment Benefits (OPEB) Liability	-	11	2,462
Total Liabilities	-	10,766	6,744,093
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes	$ 1,980	$ -	$ 54,560,609

Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Virginia Retirement System	State Police Officers' Retirement System	Judicial Retirement System
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 8,707,181	$ 102,765	$ 60,687
Total Investment Income	8,707,181	102,765	60,687
Less Investment Expenses	301,347	3,556	2,100
Net Investment Income	8,405,834	99,209	58,587
Contributions:			
Member	739,089	4,863	3,035
Employer	741,833	7,480	17,303
Total Contributions	1,480,922	12,343	20,338
Other Revenue	1,290	-	-
Total Additions	9,888,046	111,552	78,925
Deductions:			
Retirement Benefits	3,125,772	46,259	32,115
Refunds to Former Members	96,209	279	5
Retiree Health Insurance Credits	-	-	-
Insurance Premiums and Claims	-	-	-
Administrative Expenses	27,846	246	175
Other Expenses	6,334	68	40
Long-term Disability Benefits	-	-	-
Total Deductions	3,256,161	46,852	32,335
Transfers:			
Transfers In	-	-	-
Transfers Out	(130)	-	-
Total Transfers	(130)	-	-
Net Increase (Decrease)	6,631,755	64,700	46,590
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes			
July 1	44,639,079	533,883	314,749
June 30	$ 51,270,834	$ 598,583	$ 361,339

Virginia Law Officers' Retirement System	Political Appointees	Public School Superintendents	Virginia Supplemental Retirement Plan	Other Postemployment Retiree Health Insurance Credit	Other Employment Group Life	Other Postemployment Disability Insurance Trust Fund
$ 153,287	$ 1,163	$ 3	$ 2	$ 42,455	$ 156,942	$ 64,071
153,287	1,163	3	2	42,455	156,942	64,071
5,305	-	-	-	1,469	5,433	2,218
147,982	1,163	3	2	40,986	151,509	61,853
17,043	605	32	-	-	(32)	-
17,380	256	-	-	50,052	44,727	6
34,423	861	32	-	50,052	44,695	6
-	-	-	-	-	353	-
182,405	2,024	35	2	91,038	196,557	61,859
59,749	927	-	-	-	-	-
4,051	-	114	-	-	-	-
-	-	-	-	126,499	-	-
-	-	-	-	-	145,027	-
439	11	-	-	484	537	722
103	-	-	-	28	1,039	164
-	-	-	-	-	-	28,187
64,342	938	114	-	127,011	146,603	29,073
130	-	-	-	-	-	-
-	-	-	-	-	-	-
130	-	-	-	-	-	-
118,193	1,086	(79)	2	(35,973)	49,954	32,786
792,340	5,695	118	76	244,830	782,862	335,983
$ 910,533	$ 6,781	$ 39	$ 78	$ 208,857	$ 832,816	$ 368,769

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Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee Benefit Trust Funds
(Continued from previous page)

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Other Employment Volunteer Firefighters and Rescue Squad Workers	Other Postemployment Line of Duty Death and Disability	Total
Additions:			
Investment Income:			
Interest, Dividends, and Other Investment Income	$ 291	$ -	$ 9,288,847
Total Investment Income	291	-	9,288,847
Less Investment Expenses	-	-	321,428
Net Investment Income	291	-	8,967,419
Contributions:			
Member	36	-	764,671
Employer	97	10,678	889,812
Total Contributions	133	10,678	1,654,483
Other Revenue	-	35	1,678
Total Additions	424	10,713	10,623,580
Deductions:			
Retirement Benefits	-	-	3,264,822
Refunds to Former Members	10	-	100,668
Retiree Health Insurance Credits	-	-	126,499
Insurance Premiums and Claims	-	10,006	155,033
Administrative Expenses	-	354	30,814
Other Expenses	-	353	8,129
Long-term Disability Benefits	-		28,187
Total Deductions	10	10,713	3,714,152
Transfers:			
Transfers In	-	-	130
Transfers Out	-	-	(130)
Total Transfers	-	-	-
Net Increase (Decrease)	414	-	6,909,428
Net Assets Held in Trust for Pension/Other Employment Benefits, Pool Participants and Other Purposes			
July 1	1,566	-	47,651,181
June 30	$ 1,980	$ -	$ 54,560,609

Combining Statement of Fiduciary Net Assets – Investment Trust Fund

June 30, 2011
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Assets		
Cash and Cash Equivalents	$ 1,317,500	$ 1,317,500
Investments:		
Bonds and Mortgage Securities	22,204	22,204
Short-term Investments	1,447,273	1,447,273
Total Investments	1,469,477	1,469,477
Receivables, Net:		
Interest and Dividends	271	271
Total Receivables	271	271
Total Assets	2,787,248	2,787,248
Liabilities		
Due to Internal Parties (Governmental Funds and Business-type Activities)	1	1
Total Liabilities	1	1
Net Assets Held in Trust for		
Pool Participants	$ 2,787,247	$ 2,787,247

Combining Statement of Changes in Fiduciary Net Assets - Investment Trust Fund

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Local Government Investment Pool (LGIP)	Total
Additions:		
Investment Income:		
Interest, Dividends, and Other Investment Income	$ 4,364	$ 4,364
Distributions to Shareholders from Net Investment Income	(4,364)	(4,364)
Total Investment Income	-	-
Net Investment Income	-	-
Shares Sold	4,087,649	4,087,649
Reinvested Distributions	4,483	4,483
Total Additions	4,092,132	4,092,132
Deductions:		
Shares Redeemed	4,563,701	4,563,701
Total Deductions	4,563,701	4,563,701
Net Decrease	(471,569)	(471,569)
Net Assets Held in Trust for Pool Participants		
July 1	3,258,816	3,258,816
June 30	$ 2,787,247	$ 2,787,247

Combining Statement of Fiduciary Net Assets – Agency Funds

June 30, 2011
(Dollars in Thousands)

	Funds for the Collection of Taxes	Employee Benefits	Contractor Deposits	Deposits of Insurance Carriers
Assets				
Cash and Cash Equivalents	$ 167,398	$ 2,760	$ 27,160	$ 35,193
Investments:				
Short-term Investments	45	-	350	58,289
Other	-	-	-	340,617
Total Investments	45	-	350	398,906
Receivables, Net:				
Accounts	57,970	-	-	30
Total Receivables	57,970	-	-	30
Other Assets	-	-	-	-
Total Assets	$ 225,413	$ 2,760	$ 27,510	$ 434,129
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ 1,885	$ -	$ -
Amounts Due to Other Governments	225,219	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	875	-	-
Obligations Under Securities Lending Program	194	-	1,491	-
Other Liabilities	-	-	26,019	434,129
Insurance Premiums and Claims Payable	-	-	-	-
Total Liabilities	$ 225,413	$ 2,760	$ 27,510	$ 434,129

Inmate and Ward	Child Support Collection	Behavioral Health Patient	Behavioral Health Non-Patient	Comptroller's Debt Setoff	Unclaimed Property of Other States	Legal Settlement	Consumer Services
$ 8,189	$ 14,226	$ 3,513	$ 20	$ 1,122	$ 6,065	$ 1,504	$ 1,351
-	-	-	-	-	-	45	-
-	-	173	-	-	-	-	-
-	-	173	-	-	-	45	-
266	-	-	-	-	-	-	-
266	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 8,455	$ 14,226	$ 3,686	$ 20	$ 1,122	$ 6,065	$ 1,549	$ 1,351
$ 2,053	$ -	$ -	$ -	$ -	$ -	$ -	$ 4
-	-	-	-	-	6,065	-	-
141	-	-	-	-	-	-	-
-	-	-	-	-	-	196	-
6,261	14,226	3,686	20	1,122	-	1,353	1,347
-	-	-	-	-	-	-	-
$ 8,455	$ 14,226	$ 3,686	$ 20	$ 1,122	$ 6,065	$ 1,549	$ 1,351

Continued on next page

Combining Statement of Fiduciary Net Assets – Agency Funds *(Continued from previous page)*

June 30, 2011
(Dollars in Thousands)

	State Asset Forfeiture	Virginia School for the Deaf and Blind	Woodrow Wilson Rehabilitation Center	Third Party Administrator
Assets				
Cash and Cash Equivalents	$ 6,363	$ 16	$ 4	$ 11,065
Investments:				
Short-term Investments	-	-	-	-
Other	-	-	-	-
Total Investments	-	-	-	-
Receivables, Net:				
Accounts	-	-	-	12
Total Receivables	-	-	-	12
Other Assets	-	-	-	40
Total Assets	$ 6,363	$ 16	$ 4	$ 11,117
Liabilities				
Accounts Payable and Accrued Expenses	$ -	$ -	$ -	$ 1
Amounts Due to Other Governments	-	-	-	-
Due to Internal Parties (Governmental Funds and Business-type Activities)	-	-	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	6,363	16	4	10,521
Insurance Premiums and Claims Payable	-	-	-	595
Total Liabilities	$ 6,363	$ 16	$ 4	$ 11,117

Department of Environmental Quality	Virginia Veterans' Care Center Resident Fund	Virginia Individual Development Account Trust Fund	E-Payables	Total
$ 170	$ 179	$ 128	$ 6,351	$ 292,777
-	-	-	-	58,729
-	-	-	-	340,790
-	-	-	-	399,519
-	-	-	-	58,278
-	-	-	-	58,278
-	-	-	-	40
$ 170	$ 179	$ 128	$ 6,351	$ 750,614
$ -	$ -	$ -	$ -	$ 3,943
-	-	-	-	231,284
-	-	-	-	1,016
-	-	-	-	1,881
170	179	128	6,351	511,895
-	-	-	-	595
$ 170	$ 179	$ 128	$ 6,351	$ 750,614

Combining Statement of Changes in Assets and Liabilities – Agency Funds

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	$ 171,382	$ 1,206,619	$ 1,210,603	$ 167,398
Short-term Investments	101	45	101	45
Accounts Receivable	43,047	57,970	43,047	57,970
Total Assets	$ 214,530	$ 1,264,634	$ 1,253,751	$ 225,413
Liabilities:				
Amounts Due to Other Governments	$ 214,240	$ 1,264,441	$ 1,253,462	$ 225,219
Obligations Under Securities Lending Program	290	193	289	194
Total Liabilities	$ 214,530	$ 1,264,634	$ 1,253,751	$ 225,413
Employee Benefits				
Assets:				
Cash and Cash Equivalents	$ 1,991	$ 199,632	$ 198,863	$ 2,760
Total Assets	$ 1,991	$ 199,632	$ 198,863	$ 2,760
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1,930	$ 198,757	$ 198,802	$ 1,885
Due to Internal Parties (Governmental Funds and Business-type Activities)	61	875	61	875
Total Liabilities	$ 1,991	$ 199,632	$ 198,863	$ 2,760
Contractor Deposits				
Assets:				
Cash and Cash Equivalents	$ 28,268	$ 19,256	$ 20,364	$ 27,160
Short-term Investments	1,137	350	1,137	350
Total Assets	$ 29,405	$ 19,606	$ 21,501	$ 27,510
Liabilities:				
Obligations Under Securities Lending Program	$ 3,248	$ 1,491	$ 3,248	$ 1,491
Other Liabilities	26,157	18,115	18,253	26,019
Total Liabilities	$ 29,405	$ 19,606	$ 21,501	$ 27,510
Deposits of Insurance Carriers				
Assets:				
Cash and Cash Equivalents	$ 29,830	$ 61,722	$ 56,359	$ 35,193
Short-term Investments	62,157	58,289	62,157	58,289
Other Investments	342,427	45,519	47,329	340,617
Accounts Receivable	20	681	671	30
Total Assets	$ 434,434	$ 166,211	$ 166,516	$ 434,129
Liabilities:				
Other Liabilities	$ 434,434	$ 166,211	$ 166,516	$ 434,129
Total Liabilities	$ 434,434	$ 166,211	$ 166,516	$ 434,129
Inmate and Ward				
Assets:				
Cash and Cash Equivalents	$ 8,357	$ 149	$ 317	$ 8,189
Accounts Receivable	188	78	-	266
Total Assets	$ 8,545	$ 227	$ 317	$ 8,455
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1,981	$ 72	$ -	$ 2,053
Due to Internal Parties (Governmental Funds and Business-type Activities)	220	-	79	141
Other Liabilities	6,344	68	151	6,261
Total Liabilities	$ 8,545	$ 140	$ 230	$ 8,455

	Balance July 1	Additions	Deletions	Balance June 30
Child Support Collection				
Assets:				
Cash and Cash Equivalents	$ 15,701	$ 637,699	$ 639,174	$ 14,226
Total Assets	$ 15,701	$ 637,699	$ 639,174	$ 14,226
Liabilities:				
Other Liabilities	$ 15,701	$ 637,699	$ 639,174	$ 14,226
Total Liabilities	$ 15,701	$ 637,699	$ 639,174	$ 14,226
Behavioral Health Patient				
Assets:				
Cash and Cash Equivalents	$ 3,370	$ 4,257	$ 4,114	$ 3,513
Other Investments	175	6	8	173
Total Assets	$ 3,545	$ 4,263	$ 4,122	$ 3,686
Liabilities:				
Other Liabilities	$ 3,545	$ 4,263	$ 4,122	$ 3,686
Total Liabilities	$ 3,545	$ 4,263	$ 4,122	$ 3,686
Behavioral Health Non-Patient				
Assets:				
Cash and Cash Equivalents	$ 29	$ -	$ 9	$ 20
Total Assets	$ 29	$ -	$ 9	$ 20
Liabilities:				
Other Liabilities	$ 29	$ -	$ 9	$ 20
Total Liabilities	$ 29	$ -	$ 9	$ 20
Comptroller's Debt Setoff				
Assets:				
Cash and Cash Equivalents	$ 991	$ 17,825	$ 17,694	$ 1,122
Total Assets	$ 991	$ 17,825	$ 17,694	$ 1,122
Liabilities:				
Other Liabilities	$ 991	$ 17,825	$ 17,694	$ 1,122
Total Liabilities	$ 991	$ 17,825	$ 17,694	$ 1,122
Unclaimed Property of Other States				
Assets:				
Cash and Cash Equivalents	$ 13,814	$ 1,320	$ 9,069	$ 6,065
Total Assets	$ 13,814	$ 1,320	$ 9,069	$ 6,065
Liabilities:				
Amounts Due to Other Governments	$ 13,814	$ 1,320	$ 9,069	$ 6,065
Total Liabilities	$ 13,814	$ 1,320	$ 9,069	$ 6,065
Legal Settlement				
Assets:				
Cash and Cash Equivalents	$ 1,501	$ 417	$ 414	$ 1,504
Short-term Investments	96	46	97	45
Total Assets	$ 1,597	$ 463	$ 511	$ 1,549
Liabilities:				
Obligations Under Securities Lending Program	$ 276	$ 196	$ 276	$ 196
Other Liabilities	1,321	268	236	1,353
Total Liabilities	$ 1,597	$ 464	$ 512	$ 1,549

Continued on next page

Combining Statement of Changes in Assets and Liabilities –
Agency Funds *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Balance July 1	Additions	Deletions	Balance June 30
Consumer Services				
Assets:				
Cash and Cash Equivalents	$ 1,223	$ 1,719	$ 1,591	$ 1,351
Total Assets	$ 1,223	$ 1,719	$ 1,591	$ 1,351
Liabilities:				
Accounts Payable and Accrued Expenses	$ 1	$ 20	$ 17	$ 4
Other Liabilities	1,222	1,699	1,574	1,347
Total Liabilities	$ 1,223	$ 1,719	$ 1,591	$ 1,351
State Asset Forfeiture				
Assets:				
Cash and Cash Equivalents	$ 6,179	$ 5,977	$ 5,793	$ 6,363
Short-term Investments	83	-	83	-
Total Assets	$ 6,262	$ 5,977	$ 5,876	$ 6,363
Liabilities:				
Obligations Under Securities Lending Program	$ 236	$ -	$ 236	$ -
Other Liabilities	6,026	5,977	5,640	6,363
Total Liabilities	$ 6,262	$ 5,977	$ 5,876	$ 6,363
Virginia School for the Deaf and the Blind				
Assets:				
Cash and Cash Equivalents	$ 29	$ 5	$ 18	$ 16
Total Assets	$ 29	$ 5	$ 18	$ 16
Liabilities:				
Other Liabilities	$ 29	$ 5	$ 18	$ 16
Total Liabilities	$ 29	$ 5	$ 18	$ 16
Woodrow Wilson Rehabilitation Center				
Assets:				
Cash and Cash Equivalents	$ 5	$ 27	$ 28	$ 4
Total Assets	$ 5	$ 27	$ 28	$ 4
Liabilities:				
Other Liabilities	$ 5	$ 27	$ 28	$ 4
Total Liabilities	$ 5	$ 27	$ 28	$ 4
Third Party Administrator				
Assets:				
Cash and Cash Equivalents	$ 12,330	$ 4,827	$ 6,092	$ 11,065
Short-term Investments	1,063	-	1,063	-
Accounts Receivable	-	12	-	12
Other Assets	6	44	10	40
Total Assets	$ 13,399	$ 4,883	$ 7,165	$ 11,117
Liabilities:				
Accounts Payable and Accrued Expenses	$ 3	$ -	$ 2	$ 1
Obligations Under Securities Lending Program	3,035	-	3,035	-
Other Liabilities	9,766	4,875	4,120	10,521
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	$ 13,399	$ 4,875	$ 7,157	$ 11,117

	Balance July 1	Additions	Deletions	Balance June 30
Department of Environmental Quality				
Assets:				
Cash and Cash Equivalents	$ 226	$ -	$ 56	$ 170
Total Assets	$ 226	$ -	$ 56	$ 170
Liabilities:				
Other Liabilities	$ 226	$ -	$ 56	$ 170
Total Liabilities	$ 226	$ -	$ 56	$ 170
Virginia Veterans' Care Center Resident Fund				
Assets:				
Cash and Cash Equivalents	$ 196	$ 1,073	$ 1,090	$ 179
Total Assets	$ 196	$ 1,073	$ 1,090	$ 179
Liabilities:				
Other Liabilities	$ 196	$ 1,073	$ 1,090	$ 179
Total Liabilities	$ 196	$ 1,073	$ 1,090	$ 179
Virginia Individual Development Account Trust Fund				
Assets:				
Cash and Cash Equivalents	$ 56	$ 128	$ 56	$ 128
Total Assets	$ 56	$ 128	$ 56	$ 128
Liabilities:				
Other Liabilities	$ 56	$ 128	$ 56	$ 128
Total Liabilities	$ 56	$ 128	$ 56	$ 128
E-Payables				
Assets:				
Cash and Cash Equivalents	$ -	$ 7,252	$ 901	$ 6,351
Total Assets	$ -	$ 7,252	$ 901	$ 6,351
Liabilities:				
Other Liabilities	$ -	$ 7,252	$ 901	$ 6,351
Total Liabilities	$ -	$ 7,252	$ 901	$ 6,351
Totals - Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 295,478	$ 2,169,904	$ 2,172,605	$ 292,777
Short-term Investments	64,637	58,730	64,638	58,729
Other Investments	342,602	45,525	47,337	340,790
Accounts Receivable	43,255	58,741	43,718	58,278
Other Assets	6	44	10	40
Total Assets	$ 745,978	$ 2,332,944	$ 2,328,308	$ 750,614
Liabilities:				
Accounts Payable and Accrued Expenses	$ 3,915	$ 198,849	$ 198,821	$ 3,943
Amounts Due to Other Governments	228,054	1,265,761	1,262,531	231,284
Due to Internal Parties (Governmental Funds and Business-type Activities)	281	875	140	1,016
Obligations Under Securities Lending Program	7,085	1,880	7,084	1,881
Other Liabilities	506,048	865,485	859,638	511,895
Insurance Premiums and Claims Payable	595	-	-	595
Total Liabilities	$ 745,978	$ 2,332,850	$ 2,328,214	$ 750,614

Nonmajor Component Units

Component Units are organizations that are legally separate from the Commonwealth of Virginia. Each discrete component unit serves or benefits those outside of the primary government.

The Virginia Economic Development Partnership works to enhance and increase the Commonwealth's commerce and trade.

The Virginia Outdoors Foundation promotes preservation and fundraising for the purchase of preservation land.

The Virginia Port Authority is empowered to maintain and operate Virginia's harbors and ports.

The Virginia Resources Authority provides financing for the construction of local water supply and wastewater treatment facilities and other local infrastructure projects.

The Virginia Tourism Authority promotes tourism and film production industries of the Commonwealth.

The Virginia Foundation for Healthy Youth determines the appropriate recipients of monies in the Virginia Tobacco Settlement Fund.

The Tobacco Indemnification and Community Revitalization Commission determines the appropriate recipients of monies in the Tobacco Indemnification and Community Revitalization Fund.

The Hampton Roads Sanitation District Commission operates a sewage system for 17 localities in the Chesapeake Bay Area.

The Virginia Biotechnology Research Partnership Authority assists in the development of a biotechnology research park.

The Virginia Small Business Financing Authority assists small businesses in the Commonwealth in obtaining financing for new businesses or the expansion of existing businesses.

The Virginia School for the Deaf and Blind Foundation operates exclusively for the benefit of the Virginia School for the Deaf and Blind.

The Science Museum of Virginia Foundation operates to implement and fund projects and operations of the Science Museum of Virginia.

The Virginia Commercial Space Flight Authority disseminates knowledge pertaining to scientific and technological research and development among public and private entities including, but not limited to, knowledge in the area of commercial space flight, and to promote industrial and economic development.

The Danville Science Center, Inc. promotes programs, projects and operations to educate students.

The Virginia Museum of Fine Arts Foundation implements and funds programs, projects, and operations of the Virginia Museum of Fine Arts.

The A. L. Philpott Manufacturing Extension Partnership promotes industrial expansion by providing consulting services to manufacturers.

The Virginia Horse Center Foundation operates for the benefit of the equine industry.

The Virginia University Research Partnership oversees the administration of grant payments for use by a non-profit, public benefit research institute that conducts research and development for government agencies, commercial businesses, foundations, and other organizations, as well as commercializes technology.

The Fort Monroe Authority assists in formulating a reuse plan for Fort Monroe.

The Assistive Technology Loan Fund Authority provides assistance with loans and in the purchase of assistive technology or other equipment to enable Virginians with disabilities to become more independent.

The Virginia National Defense Industrial Authority promotes business, technology, transportation, education, economic development and other efforts in support of the mission, execution, and transformation of the United States military and national defense activities located in the Commonwealth.

The Virginia Sesquicentennial of the American Civil War Foundation was created to prepare for and commemorate the sesquicentennial of Virginia's participation in the American Civil War.

The Virginia Land Conservation Foundation acquires interests in preservation land and provides grants to other entities to acquire interests in preservation land.

The Virginia Arts Foundation works to promote the arts in the Commonwealth.

The Library of Virginia Foundation promotes and supports the Library of Virginia.

The Higher Education Institutions account for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Other Higher Education Institutions included in this section are:

The College of William & Mary, including Richard Bland College and the Virginia Institute of Marine Science
Virginia Military Institute
Virginia State University
Norfolk State University
University of Mary Washington
James Madison University
Radford University
Old Dominion University
George Mason University
Virginia Community College System
Christopher Newport University
Longwood University
Southwest Virginia Higher Education Center
Roanoke Higher Education Authority
Innovation and Entrepreneurship Investment Authority
Institute for Advanced Learning and Research
Southern Virginia Higher Education Center
Virginia College Building Authority
New College Institute

Combining Statement of Net Assets – Nonmajor Component Units

June 30, 2011
(Dollars in Thousands)

	Virginia Economic Development Partnership	Virginia Outdoors Foundation	Virginia Port Authority	Virginia Resources Authority
Assets				
Cash and Cash Equivalents	$ 3,234	$ 844	$ 40,023	$ 2,576
Investments	-	-	-	4,323
Receivables, Net	1	495	47,283	3,417,444
Contributions Receivable, Net	-	-	-	-
Due from Primary Government	-	-	69	-
Due from Component Units	122	-	-	-
Inventory	-	-	10,655	-
Prepaid Items	293	10	6,321	-
Other Assets	23	-	5,109	50,447
Restricted Cash and Cash Equivalents	-	1,751	46,019	268,203
Restricted Investments	-	-	50,434	346,770
Other Restricted Assets	-	-	5,169	-
Nondepreciable Capital Assets	-	5,228	255,750	115
Depreciable Capital Assets, Net	636	73	591,717	14
Total Assets	4,309	8,401	1,058,549	4,089,892
Liabilities				
Accounts Payable	377	148	26,817	211
Amounts Due to Other Governments	-	-	1	-
Due to Primary Government	-	-	-	-
Due to Component Units	207	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	4	-	-	2,382
Obligations Under Securities Lending Program	-	-	3,634	-
Other Liabilities	-	1	12,537	28,308
Loans Payable to Primary Government	-	-	13,911	-
Long-term Liabilities:				
Due Within One Year	433	69	26,171	109,465
Due in More Than One Year	4,064	70	534,390	2,640,702
Total Liabilities	5,085	288	617,461	2,781,068
Net Assets				
Invested in Capital Assets, Net of Related Debt	636	5,301	318,020	129
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	1,294,066
Debt Service	-	-	68,595	-
Gifts and Grants	-	-	-	-
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	7,372
Other	-	1,654	-	-
Unrestricted	(1,412)	1,158	54,473	7,257
Total Net Assets (Deficit)	$ (776)	$ 8,113	$ 441,088	$ 1,308,824

Virginia Tourism Authority	Virginia Foundation for Healthy Youth	Tobacco Indemnification and Community Revitalization Commission	Hampton Roads Sanitation District Commission	Virginia Biotechnology Research Partnership Authority	Virginia Small Business Financing Authority	Virginia School for the Deaf and Blind Foundation	Science Museum of Virginia Foundation
$ 3,185	$ 9,386	$ 28,935	$ 37,124	$ 2,136	$ 2,793	$ 151	$ 747
-	-	479,139	88,254	54	358	3,113	(3)
-	31	114	33,289	40,419	13,592	-	3
-	-	-	-	-	-	-	1,152
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
831	7	5	69	3	-	-	5
1	6	6,093	4,332	-	-	-	-
-	-	18,388	76,625	-	15,681	-	2,168
-	-	298,516	-	-	-	-	12,640
-	-	7,034	-	-	-	-	-
811	-	-	166,897	5,280	-	-	1,792
607	-	102	683,988	15,458	-	-	6
5,435	9,430	838,326	1,090,578	63,350	32,424	3,264	18,510
484	80	247	31,830	174	1,258	-	-
-	-	-	-	-	-	-	-
-	10	6	-	-	-	-	622
-	-	122	-	-	-	-	-
-	18	14	-	-	7	-	-
227	-	-	-	256	-	-	1
-	-	-	-	-	1,525	-	-
-	762	8,900	13,016	15	1,232	-	-
-	-	-	-	-	-	-	-
217	42	42	20,301	6,925	-	-	10
2,233	516	498	548,229	42,472	130	-	20
3,161	1,428	9,829	613,376	49,842	4,152	-	653
1,418	-	2	351,618	11,305	-	-	1,798
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,650
-	-	318,970	-	-	-	-	-
-	-	-	14,896	-	-	-	-
-	-	-	-	-	20,923	-	9,692
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,266	-	-
856	8,002	509,525	110,688	2,203	4,083	3,264	717
$ 2,274	$ 8,002	$ 828,497	$ 477,202	$ 13,508	$ 28,272	$ 3,264	$ 17,857

Continued on next page

June 30, 2011
(Dollars in Thousands)

	Virginia Commercial Space Flight Authority	Danville Science Center, Inc.	Virginia Museum of Fine Arts Foundation	A. L. Philpott Manufacturing Extension Partnership
Assets				
Cash and Cash Equivalents	$ -	$ 550	$ 1,828	$ 1,024
Investments	-	-	6,966	-
Receivables, Net	8,587	7	-	354
Contributions Receivable, Net	-	-	20,909	-
Due from Primary Government	-	-	414	-
Due from Component Units	784	-	-	-
Inventory	-	-	-	-
Prepaid Items	43	9	-	-
Other Assets	-	-	720	-
Restricted Cash and Cash Equivalents	-	46	12,868	-
Restricted Investments	-	702	154,627	-
Other Restricted Assets	-	-	-	-
Nondepreciable Capital Assets	54,015	-	54	-
Depreciable Capital Assets, Net	1,015	30	1,019	-
Total Assets	64,444	1,344	199,405	1,378
Liabilities				
Accounts Payable	3,659	2	335	190
Amounts Due to Other Governments	-	-	-	
Due to Primary Government	-	-	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	-	-	-
Unearned Revenue	4,723	140	-	-
Obligations Under Securities Lending Program	-	-	-	-
Other Liabilities	-	-	255	-
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	-	-	762	190
Due in More Than One Year	-	-	54,920	-
Total Liabilities	8,382	142	56,272	380
Net Assets				
Invested in Capital Assets, Net of Related Debt	55,031	30	925	-
Restricted For:				
Nonexpendable:				
Higher Education	-	-	-	-
Other	-	254	86,558	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	372	-
Debt Service	-	-	-	-
Gifts and Grants	-	354	47,284	-
Higher Education	-	-	-	-
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	1,031	564	7,994	998
Total Net Assets (Deficit)	$ 56,062	$ 1,202	$ 143,133	$ 998

Virginia Horse Center Foundation	Virginia University Research Partnership	Fort Monroe Authority	Assistive Technology Loan Fund Authority	Virginia National Defense Industrial Authority	Virginia Sesquicentennial of the American Civil War Foundation	Virginia Land Conservation Foundation	Virginia Arts Foundation
$ 171	$ 4	$ 572	$ 3,542	$ -	$ 451	$ 1,906	$ -
-	-	19	5,957	-	-	-	-
196	-	228	1,225	-	-	-	-
588	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	207	-	-	-
35	-	-	-	-	-	-	-
30	-	50	7	-	-	-	-
7	-	-	-	-	-	-	-
351	-	43	25	-	-	-	791
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,390	-	-	-	-	-	-	-
14,750	-	160	9	-	-	-	-
23,518	4	1,072	10,765	207	451	1,906	791
259	-	190	3	3	-	33	-
-	-	-	-	-	-	-	-
-	-	-	-	3	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39	-	1	-	-	-	-	-
-	-	-	-	-	-	-	-
180	-	43	-	-	-	-	-
-	-	-	-	-	-	-	-
451	-	-	9	7	-	-	-
12,009	-	349	-	114	-	28	-
12,938	-	583	12	127	-	61	-
9,978	-	160	9	-	-	-	-
-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	791
218	-	-	-	-	-	-	-
349	-	-	-	-	-	-	-
-	-	-	-	-	451	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
34	-	-	-	-	-	-	-
-	4	329	10,744	80	-	1,845	-
$ 10,580	$ 4	$ 489	$ 10,753	$ 80	$ 451	$ 1,845	$ 791

Continued on next page

June 30, 2011
(Dollars in Thousands)

	Library of Virginia Foundation	College of William and Mary	Virginia Military Institute	Virginia State University
Assets				
Cash and Cash Equivalents	$ 46	$ 44,618	$ 21,020	$ 26,838
Investments	2,127	30,060	73,333	804
Receivables, Net	9	18,842	3,120	5,336
Contributions Receivable, Net	615	18,344	16,013	838
Due from Primary Government	-	926	91	306
Due from Component Units	-	2,786	654	11,505
Inventory	93	520	5,425	-
Prepaid Items	6	1,907	953	3,996
Other Assets	-	1,529	790	246
Restricted Cash and Cash Equivalents	-	61,212	2,811	2,529
Restricted Investments	593	500,451	253,316	29,995
Other Restricted Assets	-	120,225	5,252	-
Nondepreciable Capital Assets	-	148,279	20,379	31,593
Depreciable Capital Assets, Net	33	579,680	204,767	154,621
Total Assets	3,522	1,529,379	607,924	268,607
Liabilities				
Accounts Payable	60	31,396	5,389	10,814
Amounts Due to Other Governments	-	-	1,329	-
Due to Primary Government	-	1,022	250	369
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	-	1,081	272	589
Unearned Revenue	-	14,776	1,406	3,648
Obligations Under Securities Lending Program	-	17	404	349
Other Liabilities	50	12,016	2,139	3,699
Loans Payable to Primary Government	-	-	-	1,200
Long-term Liabilities:				
Due Within One Year	-	30,449	2,439	4,587
Due in More Than One Year	120	283,487	75,550	99,345
Total Liabilities	230	374,244	89,178	124,600
Net Assets				
Invested in Capital Assets, Net of Related Debt	33	500,327	212,339	106,889
Restricted For:				
Nonexpendable:				
Higher Education	-	413,778	109,992	15,063
Other	890	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	308	-	-	-
Higher Education	-	231,162	133,886	19,971
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	2,061	9,868	62,529	2,084
Total Net Assets (Deficit)	$ 3,292	$ 1,155,135	$ 518,746	$ 144,007

Norfolk State University	University of Mary Washington	James Madison University	Radford University	Old Dominion University	George Mason University	Virginia Community College System	Christopher Newport University
$ 21,499	$ 18,407	$ 110,863	$ 77,332	$ 86,784	$ 97,977	$ 193,245	$ 22,122
2,483	1,782	8,799	1,820	24,658	8,276	13,330	220
9,301	2,429	9,045	5,120	93,036	33,050	20,877	1,137
1,348	892	8,367	1,381	5,172	23,393	7,035	7,189
471	152	510	176	1,065	3,093	2,579	1,007
14,766	4,391	11,774	3,747	8,408	1,886	35,075	3,356
-	578	986	467	666	651	2,377	153
1,992	827	7,575	1,898	2,750	7,450	23,882	1,834
1,979	3,721	14	130	919	7,774	707	1,114
8,550	41,672	28,996	4,092	11,791	69,533	91,033	41,802
18,892	37,834	64,963	41,285	157,061	93,686	121,673	16,416
-	-	2,485	199	-	10,657	-	855
33,040	95,565	165,688	35,993	65,205	116,760	210,782	123,112
168,939	222,485	593,020	149,898	522,722	1,109,923	840,374	300,146
283,260	430,735	1,013,085	323,538	980,237	1,584,109	1,562,969	520,463
4,849	11,899	39,675	15,683	39,409	63,255	67,905	16,869
-	-	-	-	-	-	5,109	-
460	335	1,306	560	867	1,697	2,898	353
-	-	-	-	784	-	-	-
655	415	1,387	618	997	1,791	4,750	402
3,317	1,522	14,969	3,895	12,132	41,374	57,723	1,633
155	85	2,142	522	54	5,605	14,637	272
5,026	3,915	10,685	4,996	8,602	17,953	7,561	6,987
-	-	-	-	-	-	1,375	-
3,383	23,714	17,783	2,173	22,913	33,047	20,576	11,193
112,225	210,466	275,777	28,083	398,666	836,388	282,278	235,517
130,070	252,351	363,724	56,530	484,424	1,001,110	464,812	273,226
119,597	158,978	530,373	183,069	300,579	481,168	995,210	234,463
8,400	24,986	44,763	22,464	114,663	66,448	61,103	14,525
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,730	13,311	37,751	21,338	85,009	65,779	75,190	12,440
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,463	(18,891)	36,474	40,137	(4,438)	(30,396)	(33,346)	(14,191)
$ 153,190	$ 178,384	$ 649,361	$ 267,008	$ 495,813	$ 582,999	$ 1,098,157	$ 247,237

Continued on next page

Combining Statement of Net Assets – Nonmajor Component Units *(Continued from previous page)*

June 30, 2011
(Dollars in Thousands)

	Longwood University	Southwest Virginia Higher Education Center	Roanoke Higher Education Authority	Innovation and Entrepreneurship Investment Authority
Assets				
Cash and Cash Equivalents	$ 43,700	$ -	$ 1,954	$ 7,031
Investments	17,686	-	77	-
Receivables, Net	3,419	1,907	4,550	457
Contributions Receivable, Net	3,117	-	-	-
Due from Primary Government	153	93	-	-
Due from Component Units	1,887	-	78	-
Inventory	592	-	-	-
Prepaid Items	2,322	-	12	46
Other Assets	1,403	-	-	204
Restricted Cash and Cash Equivalents	11,692	-	-	-
Restricted Investments	28,957	-	-	-
Other Restricted Assets	2,238	-	-	-
Nondepreciable Capital Assets	48,750	1,156	560	5,629
Depreciable Capital Assets, Net	208,298	12,086	18,113	13,213
Total Assets	374,214	15,242	25,344	26,580
Liabilities				
Accounts Payable	7,536	357	84	354
Amounts Due to Other Governments	-	-	-	-
Due to Primary Government	337	3	-	-
Due to Component Units	-	-	-	-
Due to External Parties (Fiduciary Funds)	378	29	-	-
Unearned Revenue	1,314	-	222	1,924
Obligations Under Securities Lending Program	255	-	-	-
Other Liabilities	10,280	-	30	109
Loans Payable to Primary Government	-	-	-	-
Long-term Liabilities:				
Due Within One Year	5,556	143	112	1,218
Due in More Than One Year	123,870	1,317	1,064	2,379
Total Liabilities	149,526	1,849	1,512	5,984
Net Assets				
Invested in Capital Assets, Net of Related Debt	152,842	12,538	17,575	15,396
Restricted For:				
Nonexpendable:				
Higher Education	31,443	-	-	-
Other	-	-	-	-
Expendable:				
Capital Projects/Construction/Capital Acquisition	-	-	-	-
Debt Service	-	-	-	-
Gifts and Grants	-	-	-	-
Higher Education	17,637	-	-	605
Virginia Pooled Investment Program	-	-	-	-
Other	-	-	-	-
Unrestricted	22,766	855	6,257	4,595
Total Net Assets (Deficit)	$ 224,688	$ 13,393	$ 23,832	$ 20,596

Institute for Advanced Learning and Research	Southern Virginia Higher Education Center	Virginia College Building Authority	New College Institute	Total Nonmajor Component Units
$ 4,327	$ 343	$ 50	$ 2,161	$ 921,499
-	-	-	-	773,635
622	53	24,979	35	3,800,592
-	-	-	223	116,576
-	-	5,576	-	16,681
42	30	-	-	101,498
-	-	-	-	23,198
94	-	-	2	65,229
-	-	-	20	87,288
113	125	56,068	232	875,210
-	-	-	246	2,229,057
-	-	-	-	154,114
6,131	-	-	-	1,605,954
2,677	469	-	234	6,411,282
14,006	1,020	86,673	3,153	17,181,813
1,283	105	-	123	383,345
-	-	-	-	6,439
-	15	-	3	11,116
-	-	119,483	-	120,596
-	26	-	11	13,440
401	-	-	-	168,029
-	-	-	-	29,656
18	-	67,674	-	226,989
-	-	-	-	16,486
125	67	124,340	14	468,926
-	732	1,785,246	357	8,593,611
1,827	945	2,096,743	508	10,038,633
8,776	469	-	234	4,787,215
-	-	-	403	928,031
-	-	-	-	94,144
-	-	-	-	1,613,626
-	-	-	-	83,840
-	-	-	-	79,012
113	125	2	1,452	732,501
-	-	-	-	7,372
-	-	-	-	4,954
3,290	(519)	(2,010,072)	556	(1,187,515)
$ 12,179	$ 75	$ (2,010,070)	$ 2,645	$ 7,143,180

Combining Statement of Activities – Nonmajor Component Units

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue
Higher Education					
College of William and Mary	$ 379,894	$ 207,242	$ 117,642	$ 36,002	$ (19,008)
Virginia Military Institute	83,834	35,521	49,435	12,720	13,842
Virginia State University	139,379	53,888	36,100	28,566	(20,825)
Norfolk State University	146,661	58,582	41,657	18,018	(28,404)
University of Mary Washington	114,556	68,539	14,067	19,087	(12,863)
James Madison University	415,302	286,685	51,724	28,551	(48,342)
Radford University	160,686	88,634	27,008	13,363	(31,681)
Old Dominion University	425,001	207,924	105,088	21,230	(90,759)
George Mason University	705,833	397,525	167,875	29,119	(111,314)
Virginia Community College System	1,152,720	341,863	407,924	106,947	(295,986)
Christopher Newport University	122,724	78,532	11,324	35,935	3,067
Longwood University	117,178	69,745	16,030	21,458	(9,945)
Southwest Virginia Higher Education Center	7,549	932	4,320	171	(2,126)
Roanoke Higher Education Authority	2,881	1,087	54	62	(1,678)
Innovation and Entrepreneurship Investment Authority	13,191	3,310	2,169	-	(7,712)
Institute for Advanced Learning and Research	8,866	756	2,500	5,616	6
Southern Virginia Higher Education Center	3,827	711	742	-	(2,374)
Virginia College Building Authority	631,015	70,914	37,246	-	(522,855)
New College Institute	3,162	-	1,784	-	(1,378)
Total Higher Education	4,634,259	1,972,390	1,094,689	376,845	(1,190,335)
Other Nonmajor Component Units					
Virginia Economic Development Partnership	19,526	467	-	-	(19,059)
Virginia Outdoors Foundation	7,654	634	1,014	-	(6,006)
Virginia Port Authority	333,445	284,135	5,611	12,588	(31,111)
Virginia Resources Authority	188,058	128,303	-	101,298	41,543
Virginia Tourism Authority	22,282	664	1,714	-	(19,904)
Virginia Foundation for Healthy Youth	11,201	-	313	-	(10,888)
Tobacco Idemnification and Community					
Revitalization Commission	124,072	-	-	-	(124,072)
Hampton Roads Sanitation District Commission	188,554	192,499	-	16,097	20,042
Virginia Biotechnology Research Partnership Authority	4,803	5,767	-	-	964
Virginia Small Business Financing Authority	605	1,300	123	-	818
Virginia School for the Deaf and Blind Foundation	25	-	-	-	(25)
Science Museum of Virginia Foundation	3,460	-	2,556	-	(904)
Virginia Commercial Space Flight Authority	20,664	409	41,352	6,899	27,996
Danville Science Center, Inc.	487	-	371	-	(116)
Virginia Museum of Fine Arts Foundation	28,702	-	29,999	-	1,297
A. L. Philpott Manufacturing Extension Partnership	3,462	1,855	1,474	-	(133)
Virginia Horse Center Foundation	4,654	3,216	516	-	(922)
Virginia University Research Partnership	1,001	-	-	-	(1,001)
Fort Monroe Authority	3,524	657	1,177	-	(1,690)
Assistive Technology Loan Fund Authority	472	-	-	-	(472)
Virginia National Defense Industrial Authority	6,485	-	-	-	(6,485)
Virginia Sesquicentennial of the American Civil War Foundation	869	-	1,024	-	155
Virginia Land Conservation Foundation	576	-	-	-	(576)
Virginia Arts Foundation	-	28	-	-	28
Library of Virginia Foundation	1,178	269	66	-	(843)
Total Other Nonmajor	975,759	620,203	87,310	136,882	(131,364)
Total Nonmajor Component Units	$ 5,610,018	$ 2,592,593	$ 1,181,999	$ 513,727	$ (1,321,699)

General Revenues					
Operating Appropriations from Primary Government	Unrestricted Grants and Contributions	Investment Earnings	Miscellaneous	Tobacco Master Settlement	Contributions to Permanent / Term Endowments
$ 68,553	$ 10,249	$ 11,522	$ 32,487	$ -	$ 8,347
12,476	31	20,524	4,190	-	5,940
39,396	968	4,269	922	-	1,735
47,413	1,007	4,023	1,534	-	645
21,849	1,146	747	2,562	-	262
78,083	887	10,420	877	-	2,123
50,723	215	1,356	1,001	-	645
110,055	112	12,220	1	-	749
108,199	1,832	4,182	3,705	-	3,948
365,615	6,883	9,375	12,870	-	6,347
28,164	7	3,952	804	-	718
28,243	495	1,830	137	-	1,651
1,772	-	-	5	-	-
1,122	10	67	-	-	-
5,933	-	33	-	-	-
5,523	-	4	19	-	-
1,940	188	-	-	-	-
153,732	-	368	-	-	-
1,398	134	27	-	-	340
1,130,189	24,164	84,919	61,114	-	33,450
18,465	-	10	96	-	-
1,753	84	18	177	-	-
34,717	-	1,187	89	-	-
-	-	-	-	-	-
18,091	-	12	-	-	-
-	-	-	-	9,372	-
-	-	28,592	505	-	-
-	-	1,680	2,602	-	-
-	-	-	-	-	-
1,000	-	8	-	-	-
-	-	380	-	-	-
-	1,476	129	-	-	1
1,379	-	-	-	-	-
-	223	1	-	-	-
-	6,043	1,336	-	-	8,596
443	-	-	-	-	-
-	250	3	28	-	202
1,000	-	-	-	-	-
1,927	-	-	-	-	-
-	25	108	-	-	-
403	-	4	-	-	-
-	-	-	-	-	-
500	-	-	-	-	-
-	-	-	31	-	-
-	237	441	4	-	1,013
79,678	8,338	33,909	3,532	9,372	9,812
$ 1,209,867	$ 32,502	$ 118,828	$ 64,646	$ 9,372	$ 43,262

Continued on next page

Combining Statement of Activities – Nonmajor Component Units *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Changes in Net Assets	Net Assets (Deficit) July 1	Net Assets (Deficit) June 30
Higher Education			
College of William and Mary	$ 112,150	$ 1,042,985	$ 1,155,135
Virginia Military Institute	57,003	461,743	518,746
Virginia State University	26,465	117,542	144,007
Norfolk State University	26,218	126,972	153,190
University of Mary Washington	13,703	164,681	178,384
James Madison University	44,048	605,313	649,361
Radford University	22,259	244,749	267,008
Old Dominion University	32,378	463,435	495,813
George Mason University	10,552	572,447	582,999
Virginia Community College System	105,104	993,053	1,098,157
Christopher Newport University	36,712	210,525	247,237
Longwood University	22,411	202,277	224,688
Southwest Virginia Higher Education Center	(349)	13,742	13,393
Roanoke Higher Education Authority	(479)	24,311	23,832
Innovation and Entrepreneurship Investment Authority	(1,746)	22,342	20,596
Institute for Advanced Learning and Research	5,552	6,627	12,179
Southern Virginia Higher Education Center	(246)	321	75
Virginia College Building Authority	(368,755)	(1,641,315)	(2,010,070)
New College Institute	521	2,124	2,645
Total Higher Education	143,501	3,633,874	3,777,375
Other Nonmajor Component Units			
Virginia Economic Development Partnership	(488)	(288)	(776)
Virginia Outdoors Foundation	(3,974)	12,087	8,113
Virginia Port Authority	4,882	436,206	441,088
Virginia Resources Authority	41,543	1,267,281	1,308,824
Virginia Tourism Authority	(1,801)	4,075	2,274
Virginia Foundation for Healthy Youth	(1,516)	9,518	8,002
Tobacco Idemnification and Community			
Revitalization Commission	(94,975)	923,472	828,497
Hampton Roads Sanitation District Commission	24,324	452,878	477,202
Virginia Biotechnology Research Partnership Authority	964	12,544	13,508
Virginia Small Business Financing Authority	1,826	26,446	28,272
Virginia School for the Deaf and Blind Foundation	355	2,909	3,264
Science Museum of Virginia Foundation	702	17,155	17,857
Virginia Commercial Space Flight Authority	29,375	26,687	56,062
Danville Science Center, Inc.	108	1,094	1,202
Virginia Museum of Fine Arts Foundation	17,272	125,861	143,133
A. L. Philpott Manufacturing Extension Partnership	310	688	998
Virginia Horse Center Foundation	(439)	11,019	10,580
Virginia University Research Partnership	(1)	5	4
Fort Monroe Authority	237	252	489
Assistive Technology Loan Fund Authority	(339)	11,092	10,753
Virginia National Defense Industrial Authority	(6,078)	6,158	80
Virginia Sesquicentennial of the American Civil War Foundation	155	296	451
Virginia Land Conservation Foundation	(76)	1,921	1,845
Virginia Arts Foundation	59	732	791
Library of Virginia Foundation	852	2,440	3,292
Total Other Nonmajor	13,277	3,352,528	3,365,805
Total Nonmajor Component Units	$ 156,778	$ 6,986,402	$ 7,143,180

Debt Schedules

Summary Schedule – Total Debt and Other Long-term Obligations of the Commonwealth

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
Tax-Supported Debt:					
Primary Government:					
General Obligation Bonds (1):					
Section 9(b) Bonds (2)	$ 914,574	$ 999,841	$ 1,040,636	$ 935,105	$ 821,563
Section 9(c) Bonds (2)	45,800	49,545	36,884	66,884	78,766
Subtotal - General Obligation Bonds	960,374	1,049,386	1,077,520	1,001,989	900,329
Nongeneral Obligation Debt:					
Section 9(d) Bonds (2)	4,427,114	3,705,737	3,001,263	2,667,962	2,562,737
Other Long-term Debt and Obligations (3)	2,397,060	2,079,248	1,841,561	1,614,506	1,487,825
Total Primary Government	7,784,548	6,834,371	5,920,344	5,284,457	4,950,891
Component Units:					
General Obligation Bonds (1):					
Section 9(c) Bonds (2)	765,280	631,275	573,550	487,296	411,842
Subtotal - General Obligation Bonds	765,280	631,275	573,550	487,296	411,842
Nongeneral Obligation Bonds:					
Section 9(d) Bonds (2)	2,139,017	1,919,034	1,455,411	1,172,290	1,122,133
Other Long-term Debt (3)	1,472,492	1,209,731	1,050,487	906,560	787,640
Total Component Units	4,376,789	3,760,040	3,079,448	2,566,146	2,321,615
Total Tax-Supported Debt	12,161,337	10,594,411	8,999,792	7,850,603	7,272,506
Debt Not Supported by Taxes:					
Primary Government:					
Total Primary Government (2)	2,759,434	2,803,913	2,787,825	2,934,728	2,872,390
Component Units:					
Section 9(d) Moral Obligation Bonds	684,005	669,839	726,416	1,073,577	1,127,950
Section 9(d) Other Debt	1,450,714	1,333,083	1,356,659	1,147,172	815,247
Other Long-term Debt (4)	15,302,035	15,102,864	14,288,566	12,838,045	11,180,297
Foundations (5)	1,355,777	1,317,122	1,294,063	1,102,712	1,076,230
Total Component Units	18,792,531	18,422,908	17,665,704	16,161,506	14,199,724
Total Debt Not Supported by Taxes	21,551,965	21,226,821	20,453,529	19,096,234	17,072,114
Total Debt of the Commonwealth	$ 33,713,302	$ 31,821,232	$ 29,453,321	$ 26,946,837	$ 24,344,620

	2011	2010	2009	2008	2007
Section 9(b) Debt:					
Transportation Facilities Bonds	$ -	$ 6,469	$ 12,695	$ 18,622	$ 24,263
Public Facilities Bonds	914,574	993,372	1,027,941	916,483	797,300
Subtotal 9(b) Debt	914,574	999,841	1,040,636	935,105	821,563
Section 9(c) Debt:					
Higher Educational Institution Bonds	765,280	631,275	573,550	487,296	411,842
Transportation Facilities Bonds	26,355	28,394	30,358	59,294	69,962
Parking Facilities Bonds	19,445	21,151	6,526	7,590	8,804
Subtotal 9(c) Debt	811,080	680,820	610,434	554,180	490,608
Total General Obligation Debt (1)	$ 1,725,654	$ 1,680,661	$ 1,651,070	$ 1,489,285	$ 1,312,171

(1) Total general obligation debt for the fiscal year ended.
(2) Net of unamortized discounts, premiums, deferrals on debt defeasance, and/or issuance expenses.
(3) Includes capital lease obligations, notes payable, installment purchase obligations, pension liability, and the long-term portion of the liability for compensated absences.
(4) Includes bonds payable, notes payable, and other debt not supported by taxes.
(5) Foundations represent FASB reporting entities defined in Note 1.B.

Tax-Supported Debt and Other Long-term Obligations

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
Primary Government:					
General Obligation Debt (1) (4):					
Section 9(b) Debt					
Transportation Facilities (2)	$ -	$ 6,469	$ 12,695	$ 18,622	$ 24,263
Public Facilities (2)	914,574	993,372	1,027,941	916,483	797,300
Subtotal Section 9(b) Debt	914,574	999,841	1,040,636	935,105	821,563
Section 9(c) Debt					
Parking Facilities (2)	19,445	21,151	6,526	7,590	8,804
Transportation Facilities (2)	26,355	28,394	30,358	59,294	69,962
Subtotal Section 9(c) Debt	45,800	49,545	36,884	66,884	78,766
Subtotal General Obligation Debt	960,374	1,049,386	1,077,520	1,001,989	900,329
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Transportation Debt (2)	2,008,601	1,428,918	908,601	948,507	987,550
Virginia Public Building Authority (2)	2,418,513	2,276,819	2,092,662	1,719,455	1,575,187
Subtotal Section 9(d) Debt	4,427,114	3,705,737	3,001,263	2,667,962	2,562,737
Other Long-term Debt:					
Transportation Notes Payable (3)	8,000	8,000	8,000	12,325	12,325
Regional Jail Construction	4,617	6,445	8,231	9,980	11,693
Capital Lease Obligations	87,219	97,012	102,913	113,477	125,033
Installment Purchase Obligations	101,014	73,950	61,966	54,761	59,574
Virginia Public Broadcasting Board Notes Payable (3)	-	2,990	5,830	8,520	11,070
Industrial Development Authority Obligations	-	5,150	10,025	14,640	19,010
Economic Development Authority Obligations	85,827	89,722	93,442	96,992	100,387
Tax Refund Note (3)	60,959	81,278	81,278	-	-
Aviation Notes Payable (3)	1,336	1,623	1,909	2,195	2,482
Subtotal Other Long-term Debt	348,972	366,170	373,594	312,890	341,574
Other Long-term Obligations:					
Compensated Absences	311,523	320,912	336,072	345,361	340,008
Pension Liability	1,405,714	1,147,163	989,517	878,579	789,771
OPEB Liability	301,771	214,943	117,604	57,473	-
Pollution Remediation Liability	4,772	4,019	2,472	-	-
Other Liabilities	24,308	26,041	22,302	20,203	16,472
Subtotal Other Long-term Obligations	2,048,088	1,713,078	1,467,967	1,301,616	1,146,251
Total Primary Government	7,784,548	6,834,371	5,920,344	5,284,457	4,950,891
Component Units:					
General Obligation Bonds (1) (4):					
Section 9(c) Debt					
Higher Educational Institutions (2)	765,280	631,275	573,550	487,296	411,842
Subtotal General Obligation Debt	765,280	631,275	573,550	487,296	411,842
Nongeneral Obligation Debt:					
Section 9(d) Debt:					
Virginia Port Authority (2)	186,011	194,287	200,886	218,596	236,300
Innovation & Entrepreneuship Investment Authority	3,465	4,480	5,415	6,270	7,145
Virginia College Building Authority	1,909,586	1,677,617	1,203,701	899,572	828,488
Virginia Biotechnology Research Partnership Authority	39,955	42,650	45,409	47,852	50,200
Subtotal Section 9(d) Debt	2,139,017	1,919,034	1,455,411	1,172,290	1,122,133
Other Long-term Debt:					
Capital Lease Obligations	119,519	104,489	113,687	136,773	124,738
Installment Purchase Obligations (3)	118,277	141,026	156,236	118,811	126,755
Subtotal Other Long-term Debt	237,796	245,515	269,923	255,584	251,493
Other Long-term Obligations:					
Compensated Absences	248,149	238,916	237,832	229,910	220,887
Pension Liability	644,481	506,555	420,996	358,881	315,260
OPEB Liability	342,066	218,745	121,736	62,185	-
Subtotal Other Long-term Obligations	1,234,696	964,216	780,564	650,976	536,147
Total Component Units	4,376,789	3,760,040	3,079,448	2,566,146	2,321,615
Total Tax-Supported Debt	$ 12,161,337	$ 10,594,411	$ 8,999,792	$ 7,850,603	$ 7,272,506

(1) The general obligation debt is the only debt or long-term obligation that is backed by the full faith, credit, and taxing power of the Commonwealth.
(2) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(3) Reflected as Notes Payable in Note 25, Long-term Liabilities.
(4) See Note 1 on previous page.

Debt and Other Long-term Obligations Not Supported by Taxes

Last Five Fiscal Years
(Dollars in Thousands)

	For the Fiscal Year Ended June 30,				
	2011	2010	2009	2008	2007
Primary Government:					
Other Long-term Debt & Obligations:					
Federal Reimbursement Anticipation Notes Payable (1)	$ 274,650	$ 414,319	$ 548,695	$ 677,297	$ 800,538
Pension Liability	34,054	26,379	21,368	18,887	16,966
OPEB Liability	9,099	5,779	2,973	1,551	-
Capital Lease Obligations	918	1,407	1,919	2,347	-
Compensated Absences	9,044	9,130	8,955	8,761	8,682
Installment Purchase Obligations	-	187	964	1,735	2,610
Tuition Benefits Payable	2,215,261	2,095,958	1,909,786	1,891,424	1,730,482
Lottery Prizes Payable	216,408	250,754	293,165	332,726	313,112
Total Primary Government	2,759,434	2,803,913	2,787,825	2,934,728	2,872,390
Component Units:					
Section 9(d) Moral Obligation Debt: (1)					
Virginia Housing Development Authority	-	-	-	391,691	449,350
Virginia Resources Authority	684,005	669,839	726,416	681,886	678,600
Subtotal Section 9(d) Moral Obligation Debt	684,005	669,839	726,416	1,073,577	1,127,950
Section 9(d) Other Debt:					
Higher Educational Institutions (1):					
Auxiliary Enterprise Revenue Bonds	1,232,954	1,059,008	1,077,484	846,677	624,609
Teaching Hospitals Revenue Bonds (4)	217,760	274,075	279,175	300,495	190,638
Subtotal Section 9(d) Other Debt	1,450,714	1,333,083	1,356,659	1,147,172	815,247
Other Long-term Debt:					
Virginia Housing Development Authority (1) (2)	6,438,200	6,739,603	6,754,384	6,487,296	5,548,833
Hampton Roads Sanitation District	560,996	547,318	360,136	359,904	143,658
Virginia Biotechnology Research Partnership Authority	1,125	1,355	1,565	10,015	10,975
Virginia Public School Authority (1) (2)	3,215,448	3,235,947	3,258,258	3,030,087	2,860,310
Virginia Port Authority	284,558	288,764	223,541	292,982	230,817
Virginia Resources Authority	2,060,398	1,915,717	1,740,010	1,101,055	1,017,988
Notes Payable	2,403,627	2,034,214	1,649,031	1,293,035	1,034,475
Bond Anticipation Notes	-	-	-	-	40,000
Other Long-term Debt	337,683	339,946	301,641	263,671	293,241
Foundations (5)	1,355,777	1,317,122	1,294,063	1,102,712	1,076,230
Subtotal Other Long-term Debt	16,657,812	16,419,986	15,582,629	13,940,757	12,256,527
Subtotal Section 9(d) and Other Debt	18,108,526	17,753,069	16,939,288	15,087,929	13,071,774
Total Component Units	18,792,531	18,422,908	17,665,704	16,161,506	14,199,724
Total Debt Not Supported by Taxes (3)	$ 21,551,965	$ 21,226,821	$ 20,453,529	$ 19,096,234	$ 17,072,114

(1) Net of unamortized discounts, premiums, deferral on debt defeasance, and/or issuance expenses.
(2) Includes notes payable and/or installment purchase obligations.
(3) These amounts are not backed by the full faith, credit, and taxing power of the Commonwealth.
(4) Includes the Virginia Commonwealth University Health System Authority.
(5) Foundations represent FASB reporting entities defined in Note 1.B.

Authorized and Unissued Tax-Supported Debt

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	As of June 30, 2010	New Debt Authorized	Debt Issued	Other Adjust-ments	As of June 30, 2011
Section 9(b) Debt (Primary Government):					
Higher Educational Institution Bonds	$ -	$ -	$ -	$ -	$ -
Park and Recreational Facilities	-	-	-	-	-
Subtotal Section 9(b) Debt	-	-	-	-	-
Section 9(c) Debt (Primary Government):					
Higher Educational Institution Bonds	656,114	64,579	171,270	(1,484)	547,939
Parking Facilities Bonds	226	-	-	-	226
Subtotal Section 9(c) Debt	656,340	64,579	171,270	(1,484)	548,165
Section 9(d) Debt:					
Primary Government:					
Transportation Contract Revenue Bonds					
(Northern Virginia Transportation District					
Fund Program)	24,700	-	-	-	24,700
Transportation Capital Projects Revenue Bonds	2,679,244	-	600,000	8,091	2,087,335
Component Units:					
Virginia Public Building Authority					
(Projects)	669,737	10,505	252,951	(12,180)	415,111
Virginia Public Building Authority					
(Jails)	315,894	3,116	29,869	-	289,141
Virginia College Building Authority					
(21st Century)	2,212,013	59,297	346,415	(3,589)	1,921,306
Virginia College Building Authority					
(Equipment Program)	115,105	-	-	(97)	115,008
Virginia Port Authority	155,000	(30,000)	-	-	125,000
Subtotal Section 9(d) Debt	6,171,693	42,918	1,229,235	(7,775)	4,977,601
Total Authorized and Unissued					
Tax-Supported Debt	$ 6,828,033	$ 107,497	$ 1,400,505	$ (9,259)	$ 5,525,766

Tax-Supported Debt – Annual Debt Service Requirements [1]

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Fiscal Year Ending June 30	General Obligation Debt Sections 9(a), 9(b) and 9(c)			Other Tax-Supported Debt Section 9(d) [1] [2]		
	Principal	Interest	Total	Principal	Interest	Total
2012	$ 121,515	$ 76,507	$ 198,022	$ 396,196	$ 301,371	$ 697,567
2013	125,710	70,754	196,464	408,756	277,586	686,342
2014	115,485	64,851	180,336	405,639	259,515	665,154
2015	113,210	59,319	172,529	402,738	240,835	643,573
2016	105,275	53,826	159,101	401,602	222,219	623,821
2017	97,250	48,980	146,230	394,319	204,173	598,492
2018	90,990	44,440	135,430	364,035	186,471	550,506
2019	90,025	40,467	130,492	331,451	170,538	501,989
2020	89,300	36,501	125,801	313,953	155,625	469,578
2021	90,940	32,504	123,444	308,921	141,696	450,617
2022	86,100	28,422	114,522	298,285	127,752	426,037
2023	86,135	24,438	110,573	294,866	114,571	409,437
2024	85,145	20,588	105,733	295,421	100,963	396,384
2025	76,270	16,730	93,000	280,284	87,163	367,447
2026	70,145	13,289	83,434	275,179	74,269	349,448
2027	61,080	10,110	71,190	242,416	61,548	303,964
2028	44,985	7,258	52,243	225,148	49,629	274,777
2029	29,155	5,167	34,322	201,599	38,810	240,409
2030	18,920	3,823	22,743	173,870	28,834	202,704
2031	13,770	2,968	16,738	107,492	19,986	127,478
2032	11,580	2,321	13,901	64,675	15,442	80,117
2033	10,810	1,765	12,575	65,720	12,167	77,887
2034	9,345	1,244	10,589	68,615	8,749	77,364
2035	6,695	796	7,491	67,265	5,181	72,446
2036	2,465	481	2,946	40,295	1,813	42,108
2037	2,560	365	2,925	-	-	-
2038	1,675	244	1,919	-	-	-
2039	1,730	165	1,895	-	-	-
2040	1,785	84	1,869	-	-	-
Subtotal	1,660,050	668,407	2,328,457	6,428,740	2,906,906	9,335,646
Add Accretion on Capital Appreciation Bonds	-	-	-	19,865	-	19,865
Add Unamortized Premium	93,896	-	93,896	317,861	-	317,861
Less Unamortized Discount	-	-	-	(745)	-	(745)
Less Deferral on Debt Defeasance	(28,293)	-	(28,293)	(43,467)	-	(43,467)
Total	$ 1,725,653	$ 668,407	$ 2,394,060	$ 6,722,254	$ 2,906,906	$ 9,629,160

[1] Includes Virginia Biotechnology Research Park Authority, Innovation and Entrepreneurship Investment Authority, Fairfax County Economic Development Authority, Virginia Aviation Board, Tax Refund Note, and Transportation Notes Payable. Does not include other capital leases, installment purchase obligations, regional jail reimbursements under the original treasury board program, compensated absences, pension liability, pollution remediation liability and uninsured employers fund.

[2] Includes principal amount of $4,435,114 (dollars in thousands) which includes transportation notes payable of $8,000 (dollars in thousands) for the primary government.

Total		
Principal	Interest	Total
$ 517,711	$ 377,878	$ 895,589
534,466	348,340	882,806
521,124	324,366	845,490
515,948	300,154	816,102
506,877	276,045	782,922
491,569	253,153	744,722
455,025	230,911	685,936
421,476	211,005	632,481
403,253	192,126	595,379
399,861	174,200	574,061
384,385	156,174	540,559
381,001	139,009	520,010
380,566	121,551	502,117
356,554	103,893	460,447
345,324	87,558	432,882
303,496	71,658	375,154
270,133	56,887	327,020
230,754	43,977	274,731
192,790	32,657	225,447
121,262	22,954	144,216
76,255	17,763	94,018
76,530	13,932	90,462
77,960	9,993	87,953
73,960	5,977	79,937
42,760	2,294	45,054
2,560	365	2,925
1,675	244	1,919
1,730	165	1,895
1,785	84	1,869
8,088,790	3,575,313	11,664,103
19,865	-	19,865
411,757	-	411,757
(745)	-	(745)
(71,760)	-	(71,760)
$ 8,447,907	$ 3,575,313	$ 12,023,220

Tax-Supported Debt – Detail of Long-term Indebtedness

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt					
Section 9(b) Debt (Primary Government):					
Transportation Facilities Bonds					
Series 2003 Refunding	$ 40,370	$ 6,010	$ (6,010)	$ -	
Deferral on Debt Defeasance	-	(118)	118	-	
Unamortized Premium	-	577	(577)	-	
Total Transportation Facilities Bonds	40,370	6,469	(6,469)	-	
Public Facilities Bonds					
Series 2002 Refunding	114,865	34,870	(7,490)	27,380	06/01/12-16
Series 2003	50,400	32,795	(2,520)	30,275	06/01/12-23
Series 2004	243,680	116,450	(16,255)	100,195	06/01/12-24
Series 2005	118,110	52,125	(4,985)	47,140	06/01/12-25
Series 2006 Refunding	61,535	39,195	(8,105)	31,090	06/01/12-15
Series 2006	117,910	63,895	(4,730)	59,165	06/01/12-26
Series 2007	200,465	174,170	(10,250)	163,920	06/01/12-27
Series 2008	198,165	178,550	(9,925)	168,625	06/01/12-28
Series 2008 Refunding	25,458	14,719	(4,950)	9,769	06/01/12-13
Series 2009	80,000	76,000	(4,000)	72,000	06/01/12-29
Series 2009 Refunding	121,765	121,295	-	121,295	06/01/16-22
Series 2009 Taxable BABs	45,000	45,000	(2,365)	42,635	06/01/12-29
Deferral on Debt Defeasance	-	(18,475)	2,265	(16,210)	
Unamortized Premium	-	62,783	(5,488)	57,295	
Total Public Facilities Bonds	1,377,353	993,372	(78,798)	914,574	
Total Section 9(b) Debt	1,417,723	999,841	(85,267)	914,574	
Section 9(c) Debt					
Higher Educational Institution Bonds (Component Units)					
Series 1981 Bonds					
Virginia Commonwealth University					
Low-Rise Dormitory	4,932	252	(252)	-	
Subtotal Series 1981 Bonds	4,932	252	(252)	-	
Series 1983 Bonds					
Old Dominion University					
Mid-Rise Dormitory	3,500	505	(165)	340	06/01/12-13
Powhatan Field Apartments, Phase II	3,636	540	(170)	370	06/01/12-13
Virginia Commonwealth University					
Low-Rise Dormitory	4,050	585	(185)	400	06/01/12-13
Subtotal Series 1983 Bonds	11,186	1,630	(520)	1,110	
Series 2001 Bonds					
Christopher Newport University					
New Residence Hall	23,050	1,110	(1,110)	-	
College of William and Mary					
Renovate Dormitories	4,875	225	(225)	-	
George Mason University					
Housing Building V	21,780	855	(855)	-	
Housing Renovations	3,435	445	(445)	-	
James Madison University					
Bluestone Dorm Phase III	5,900	270	(270)	-	
University of Mary Washington					
Residence Hall Renovation	1,925	90	(90)	-	
University of Virginia					
Residence Hall-Monroe Lane	4,670	215	(215)	-	
Subtotal Series 2001 Bonds	65,635	3,210	(3,210)	-	

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2002 Bonds					
College of William and Mary					
Dorm Renovations	5,015	700	(220)	480	06/01/12-13
George Mason University					
Housing Building V	8,635	1,200	(380)	820	06/01/12-13
James Madison University					
Bluestone Dorm Renovations I	2,045	285	(90)	195	06/01/12-13
Bluestone Dorm Renovations II	2,125	300	(95)	205	06/01/12-13
Old Dominion University					
Housing Renovation	2,565	360	(115)	245	06/01/12-13
Virginia Polytechnic Institute and State University					
Parking Auxiliary Project	975	205	(65)	140	06/01/12-13
Subtotal Series 2002 Bonds	21,360	3,050	(965)	2,085	
Series 2002 Refunding Bonds					
College of William and Mary					
Dorm Renovations	362	130	(40)	90	06/01/12-13
Dorm Repairs	898	698	(103)	595	06/01/12-16
Underground Utility	878	630	(92)	538	06/01/12-16
University Center	121	45	(15)	30	06/01/12-13
George Mason University					
University Center	14,696	7,506	(1,358)	6,148	06/01/12-15
James Madison University					
Residence Facility	3,089	1,144	(362)	782	06/01/12-13
Longwood University					
Dining Hall	3,072	2,395	(356)	2,039	06/01/12-16
University of Mary Washington					
Telecommunications	2,647	965	(305)	660	06/01/12-13
University of Virginia					
Newcomb Hall Expansion Projects	6,213	4,474	(658)	3,816	06/01/12-16
Student Residence Facility Project	2,796	2,016	(295)	1,721	06/01/12-16
Virginia Commonwealth University					
Visitors Deck	1,823	1,417	(206)	1,211	06/01/12-16
Virginia State University					
Jones Dining Hall	1,358	1,055	(155)	900	06/01/12-16
Subtotal Series 2002 Refunding Bonds	37,953	22,475	(3,945)	18,530	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2003 Refunding Bonds					
Christopher Newport University					
Dormitory Project	1,209	180	(180)	-	
College of William and Mary					
Graduate Housing	3,906	543	(543)	-	
Norfolk State University					
Cafeteria Renovation	2,234	313	(313)	-	
Residence Hall	5,133	715	(715)	-	
Old Dominion University					
Webb Center Addition	3,686	516	(516)	-	
University of Virginia					
Student Housing	7,587	1,059	(1,059)	-	
Virginia Polytechnic Institute and State University					
Dorm and Dining Renovation	2,694	375	(375)	-	
Parking Renovations	2,268	318	(318)	-	
Squires Student Center	1,755	243	(243)	-	
Subtotal Series 2003 Refunding Bonds	30,472	4,262	(4,262)	-	
Series 2004 New Money and Refunding Bonds					
Christopher Newport University					
New Residence Hall - '01 Refunded Portion	12,842	12,531	(29)	12,502	06/01/12-20
Residence Hall II - '99 Refunded Portion	8,416	7,572	(685)	6,887	06/01/12-19
College of William & Mary					
Dorm Renovation Phase II - '97 Refunded Portion	469	344	(43)	301	06/01/12-17
Dorm Renovations - '98 Refunded Portion	3,778	3,110	(323)	2,787	06/01/12-18
Dorm Repairs - '97 Refunded Portion	2,077	1,529	(186)	1,343	06/01/12-17
Renovate Dormitories - '01 Refunded Portion	2,629	2,565	(6)	2,559	06/01/12-20
Utility System - '97 Refunded Portion	1,226	895	(110)	785	06/01/12-17
George Mason University					
Commonwealth and Dominion Housing	2,340	1,065	(250)	815	06/01/12-14
Housing Building V - '01 Refunded Portion	9,940	9,699	(23)	9,676	06/01/12-20
James Madison University					
Bluestone Dorm, Phase II - '01 Refunded Portion	3,130	3,054	(7)	3,047	06/01/12-20
Dining Facilities Renovation - '98 Refunded Portion	638	524	(56)	468	06/01/12-18
Dining Hall Renovation - '97 Refunded Portion	818	600	(72)	528	06/01/12-17
Residence Hall - '97 Refunded Portion	7,093	5,228	(637)	4,591	06/01/12-17
Student Services - '97 Refunded Portion	3,783	2,788	(340)	2,448	06/01/12-17
Longwood University					
Dining Hall - '99 Refunded Portion	1,868	1,681	(154)	1,527	06/01/12-19
Residence Hall Improvements - '99 Refunded Portion	1,747	1,572	(139)	1,433	06/01/12-19
University of Mary Washington					
Residence Hall Renovation - '01 Refunded Portion	1,036	1,011	(2)	1,009	06/01/12-20
University of Virginia					
Residence Hall - Monroe Lane - '01 Refunded Portion	2,513	2,452	(6)	2,446	06/01/12-20
Residence Hall - Wise - '99 Refunded Portion	3,020	2,717	(243)	2,474	06/01/12-19
Virginia Commonwealth University					
Academic Parking Deck - '97 Refunded Portion	7,723	5,688	(689)	4,999	06/01/12-17
Virginia Military Institute					
Crozet Hall and Parking	11,240	4,835	(440)	4,395	06/01/12-25

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2004 New Money and Refunding Bonds *(continued)*					
Virginia Polytechnic Institute and State University					
Dining Hall - '98 Refunded Portion	1,928	1,586	(164)	1,422	06/01/12-18
Dining Hall HVAC - '99 Refunded Portion	1,168	1,051	(94)	957	06/01/12-19
Parking Auxiliary Project - '97 Refunded Portion	951	697	(86)	611	06/01/12-17
Residence Hall - '97 Refunded Portion	9,995	7,367	(895)	6,472	06/01/12-17
Renovate Dietrick Severy, Phase II	4,800	1,785	(195)	1,590	06/01/12-24
Virginia State University					
Jones Dining Hall - '98 Refunded Portion	618	509	(51)	458	06/01/12-18
Subtotal Series 2004 New Money and Refunding Bonds	107,786	84,455	(5,925)	78,530	
Series 2005 Bonds					
College of William & Mary					
Renovate Dining	9,555	5,085	(350)	4,735	06/01/12-26
Renovate Dorms	5,800	3,090	(215)	2,875	06/01/12-26
George Mason University					
Student Housing	25,800	17,160	(725)	16,435	06/01/12-30
Longwood University					
Renovate Housing Facilities	3,915	1,840	(145)	1,695	06/01/12-25
Old Dominion University					
Renovate Housing - Phase I	4,735	2,215	(180)	2,035	06/01/12-25
University of Mary Washington					
Seacobeck Dining Hall	4,730	2,210	(180)	2,030	06/01/12-25
Subtotal Series 2005 Bonds	54,535	31,600	(1,795)	29,805	
Series 2006 Refunding Bonds					
Christopher Newport University					
Dorm/Dining - '96 Refunding, Refunded Portion	1,725	1,590	(110)	1,480	06/01/12-21
College of William & Mary					
Dorm - '96 Refunding, Refunded Portion	100	75	(15)	60	06/01/12-14
Dorm, Phase II -'96 Refunding, Refunded Portion	1,525	1,215	(225)	990	06/01/12-15
Subtotal Series 2006 Refunding Bonds	3,350	2,880	(350)	2,530	
Series 2006 Bonds					
College of William & Mary					
Renovate Dormitories	4,515	2,575	(165)	2,410	06/01/12-26
George Mason University					
Construct Student Housing VII	39,080	28,885	(1,060)	27,825	06/01/12-31
Renovate Housing Facilities	2,420	1,730	(255)	1,475	06/01/12-16
James Madison University					
Renovate Residence Hall Phase III	6,230	3,550	(225)	3,325	06/01/12-26
Longwood University					
Renovate Housing Facilities	5,900	3,365	(215)	3,150	06/01/12-26
Old Dominion University					
Construct Residence Hall Phase II	8,785	5,010	(315)	4,695	06/01/12-26
Virginia Polytechnic Institute and State University					
Parking Projects	685	390	(25)	365	06/01/12-26
Virginia State University					
Construct Dining Hall	4,330	2,600	(165)	2,435	06/01/12-26
Construct Residence Halls	16,780	10,075	(640)	9,435	06/01/12-26
Subtotal Series 2006 Bonds	88,725	58,180	(3,065)	55,115	

Continued on next page

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2007 Bonds					
George Mason University					
Construct Student Housing VII and Entrance Road	15,495	15,105	(410)	14,695	06/01/12-32
Construct Student Housing, VII	2,010	1,915	(50)	1,865	06/01/12-32
Renovate Student Housing, President's Park I	3,130	2,545	(310)	2,235	06/01/12-17
James Madison University					
Construct Dining Hall	20,840	18,420	(730)	17,690	06/01/12-27
Renovate Bluestone Residence Hall, Phase III	2,280	2,015	(80)	1,935	06/01/12-27
Longwood University					
Renovate Cox Hall	6,250	5,520	(220)	5,300	06/01/12-27
Old Dominion University					
Construct Residence Hall, Phase II	16,115	14,245	(565)	13,680	06/01/12-27
Virginia Commonwealth University					
Monroe Park Housing	15,525	14,990	(290)	14,700	06/01/12-37
Virginia Polytechnic Institute and State University					
Construct New Residence Hall	13,130	12,650	(500)	12,150	06/01/12-27
Improve Residence and Dining Halls	5,995	5,775	(230)	5,545	06/01/12-27
Virginia State University					
Construct Residence Halls	2,020	1,820	(70)	1,750	06/01/12-27
Construct Two Residence Halls	26,160	25,210	(1,000)	24,210	06/01/12-27
Subtotal Series 2007 Bonds	128,950	120,210	(4,455)	115,755	
Series 2008 Bonds					
Christopher Newport University					
1998 Refunded Portion 92C	1,664	1,016	(323)	693	06/01/12-14
College of William & Mary					
1998 Refunded Portion 92C	3,801	2,316	(737)	1,579	06/01/12-13
1998 Refunded Portion 92D	492	303	(94)	209	06/01/12-13
Renovate Graduate Student Residence Halls	2,395	2,315	(85)	2,230	06/01/12-28
George Mason University					
1998 Refunded Portion 92A	740	378	(184)	194	06/01/12
Renovate Commonwealth and Dominion Phase II	1,530	1,390	(145)	1,245	06/01/12-18
Renovate President's Park Phase I	3,095	2,810	(295)	2,515	06/01/12-18
Renovate President's Park Phase II	3,120	3,120	(110)	3,010	06/01/12-28
Student Housing VII	1,955	1,870	(45)	1,825	06/01/12-33
Student Housing VII and Entrance Road	23,870	23,870	(575)	23,295	06/01/12-33
James Madison University					
1998 Refunded Portion 92C	2,644	1,613	(513)	1,100	06/01/12-13
Construct New Residence Hall	19,430	18,195	(645)	17,550	06/01/12-28
Longwood University					
1998 Refunded Portion 92A	1,397	713	(344)	369	06/01/12
Renovate Cox Hall	4,630	4,330	(155)	4,175	06/01/12-28
Old Dominion University					
Quad Housing Phase II	39,960	37,425	(1,330)	36,095	06/01/12-28
University of Mary Washington					
1998 Refunded Portion 92C	1,202	737	(235)	502	06/01/12-13
University of Virginia					
1998 Refunded Portion 92C	207	104	(52)	52	06/01/12
1998 Refunded Portion 92D	594	362	(114)	248	06/01/12-13
1998 Refunded Portion 92D	4,323	2,639	(841)	1,798	06/01/12-13
1998 Refunded Portion 92D	431	264	(84)	180	06/01/12-13

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2008 Bonds *(continued)*					
VCCS/Northern Virginia Community College					
1998 Refunded Portion 92A	882	448	(216)	232	06/01/12
Virginia Commonwealth University					
1998 Refunded Portion 92C	2,985	1,820	(581)	1,239	06/01/12-13
1998 Refunded Portion 92C	384	194	(95)	99	06/01/12
1998 Refunded Portion 92D	1,152	704	(223)	481	06/01/12-13
Virginia Polytechnic Institute and State University					
1998 Refunded Portion 92C	1,813	1,108	(352)	756	06/01/12-13
1998 Refunded Portion 92D	1,010	621	(198)	423	06/01/12-13
1998 Refunded Portion 92D	969	591	(188)	403	06/01/12-13
New Residence Hall	17,185	16,610	(590)	16,020	06/01/12-28
Parking Auxiliary Projects	1,545	1,445	(50)	1,395	06/01/12-28
Subtotal Series 2008 Bonds	145,405	129,311	(9,399)	119,912	
Series 2009 Bonds					
Christopher Newport University					
Residence Hall '01 Refunded Portion	1,878	1,878	-	1,878	06/01/12-21
College of William & Mary					
Dining Commons Hall Renovation '05 Refunded Portion	3,200	3,200	-	3,200	06/01/12-22
Dormitory Renovations '06B Refunded Portion	1,270	1,270	-	1,270	06/01/12-22
Dormitory Renovations '02 Refunded	2,582	2,582	-	2,582	06/01/12-22
Dormitory Renovations '05 Refunded	1,940	1,940	-	1,940	06/01/12-22
Dormitory Renovations '01 Refunded Portion	384	384	-	384	06/01/12-21
George Mason University					
Housing Building V '01 Refunded Portion	6,267	6,267	-	6,267	06/01/12-24
Housing Building V '02 Refunded Portion	4,448	4,448	-	4,448	06/01/12-22
Housing VIII	7,910	7,910	-	7,910	06/01/12-34
Renovate President Park Phase I	1,790	1,790	(170)	1,620	06/01/12-19
Student Housing Construction VII '05 Refunded	6,630	6,630	-	6,630	06/01/12-22
Student Housing VII C	8,255	8,255	(195)	8,060	06/01/12-34
Student Housing Construction VII '06B Refunded	8,230	8,230	-	8,230	06/01/12-22
James Madison University					
Bluestone Dorm Phase II '01 Refunded Portion	458	458	-	458	06/01/12-21
Renovate Bluestone Res Hall III '06B Refunded Portion	1,750	1,750	-	1,750	06/01/12-22
Renovate Bluestone Dorms '02 Refunded Portion	1,048	1,048	-	1,048	06/01/12-22
Renovate Bluestone Dorms II '02 Refunded Portion	1,089	1,089	-	1,089	06/01/12-22
Longwood University					
Housing Facilities Renovations '05 Refunded Portion	1,340	1,340	-	1,340	06/01/12-22
Renovate Housing Facilities '06B Refunded Portion	1,655	1,655	-	1,655	06/01/12-22
Old Dominion University					
Construct Residence Hall Ph II '06B Refunded Portion	2,465	2,465	-	2,465	06/01/12-22
Housing Renovations '02 Refunded Portion	1,319	1,319	-	1,319	06/01/12-22
Housing Renovations Ph I '05 Refunded Portion	1,625	1,625	-	1,625	06/01/12-22
University of Mary Washington					
Residence Hall Renovation '01 Refunded Portion	153	153	-	153	06/01/12-21
Seacobeck Dining Hall '05 Refunded Portion	1,625	1,625	-	1,625	06/01/12-22
University of Virginia					
Residence Hall Monroe Lane '01 Refunded Portion	368	368	-	368	06/01/12-21
Virginia Military Institute					
Crozet Hall & Parking '04A Refunded Portion	4,242	4,242	-	4,242	06/01/12-22

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Higher Educational Institution Bonds (Component Units) *(continued)*					
Series 2009 Bonds *(continued)*					
Virginia Polytechnic Institute and State University					
Parking Aux Projects '06B Refunded Portion	190	190	-	190	06/01/12-22
Improve Residence and Dining Halls	3,720	3,720	-	3,720	06/01/12-29
Parking Auxiliary Project '02 Refunded Portion	276	276	-	276	06/01/12-17
Parking Structure	24,590	24,590	-	24,590	06/01/12-34
Renovate Dietrick Servery Ph II '04A Refund Portion	1,891	1,891	-	1,891	06/01/12-22
Renovate Ambler Johnston Hall	39,005	39,005	-	39,005	06/01/12-29
Virginia State University					
Construct Residence Hall '06B Refunded Portion	4,965	4,965	-	4,965	06/01/12-22
Construct Dining Hall '06B Refunded Portion	1,280	1,280	-	1,280	06/01/12-22
Subtotal Series 2009 Bonds	149,838	149,838	(365)	149,473	
Series 2010 Bonds					
Christopher Newport University					
Construct Residence Hall	34,480	-	34,480	34,480	06/01/12-40
College of William & Mary					
Construct New Dormitory	2,010	-	1,965	1,965	06/01/12-30
Renovate Residence Halls	4,440	-	4,335	4,335	06/01/12-30
George Mason University					
Housing VIII	39,420	-	39,420	39,420	06/01/12-35
Renovate Commons	1,325	-	1,325	1,325	06/01/12-30
Renovate Student Housing, President's Park II	2,790	-	2,790	2,790	06/01/12-20
Smithsonian CRC Housing	5,415	-	5,415	5,415	06/01/12-35
James Madison University					
Renovate Bluestone Dormitories, Phase IV	14,890	-	14,545	14,545	06/01/12-30
Old Dominion University					
Renovate Student Housing, Phase I	1,975	-	1,930	1,930	06/01/12-30
Virginia Commonwealth University					
Construct West Grace Housing and Parking Phase I	29,130	-	29,130	29,130	06/01/12-35
Virginia Polytechnic Institute and State University					
Construct Academic and Student Affairs Building	34,650	-	34,650	34,650	06/01/12-30
Parking Auxiliary Projects	745	-	725	725	06/01/12-30
Subtotal Series 2010 Bonds	171,270	-	170,710	170,710	
Deferral on Debt Defeasance	-	(13,623)	1,811	(11,812)	
Unamortized Premium	-	33,544	(7)	33,537	
Subtotal Higher Educational Institution Bonds	1,021,397	631,274	134,006	765,280	
Transportation Facilities Bonds (Primary Government)					
Series 2006, Coleman Refunding	31,880	27,660	(1,975)	25,685	06/01/12-21
Deferral on Debt Defeasance	-	(58)	8	(50)	
Unamortized Premium	-	792	(72)	720	
Subtotal Transportation Facilities Bonds	31,880	28,394	(2,039)	26,355	

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
General Obligation Debt *(continued)*					
Section 9(c) Debt *(continued)*					
Parking Facilities Bonds (Primary Government)					
Series 2002 Refunding	230	155	(30)	125	06/01/12-15
Series 2003 Refunding	5,860	818	(818)	-	
Series 2004	5,390	2,005	(220)	1,785	06/01/12-24
Series 2009	13,755	13,755	(465)	13,290	06/01/12-29
Series 2009 Refunding	2,122	2,122	-	2,122	06/01/16-22
Deferral on Debt Defeasance	-	(278)	58	(220)	
Unamortized Premium	-	2,574	(231)	2,343	
Subtotal Parking Facilities Bonds	27,357	21,151	(1,706)	19,445	
Total Section 9(c) Debt	1,080,634	680,819	130,261	811,080	
Total General Obligation Debt	2,498,357	1,680,660	44,994	1,725,654	
Nongeneral Obligation Debt					
Section 9(d) Debt					
Virginia Public Building Authority Bonds (Primary Government)					
Series 1992B	94,335	-	-	-	
Accreted Principal	-	7,369	(7,369)	-	
Series 2000A	104,990	4,880	(4,880)	-	
Series 2001A	35,830	3,305	(1,620)	1,685	08/01/11
Series 2002A	55,000	18,960	(13,985)	4,975	08/01/11-12
Series 2003A	38,809	19,475	(4,395)	15,080	08/01/11-14
Series 2004A	187,106	134,190	(18,185)	116,005	08/01/11-16
Series 2004B	207,065	156,905	(48,075)	108,830	08/01/11-24
Series 2004C	39,260	23,625	(3,450)	20,175	08/01/11-15
Series 2004D	106,460	104,510	(2,490)	102,020	08/01/11-20
Series 2005A	47,305	34,150	(3,550)	30,600	08/01/11-18
Series 2005B	135,675	111,645	(15,970)	95,675	08/01/11-19
Series 2005C	165,810	121,415	(12,550)	108,865	08/01/11-22
Series 2005D	50,000	50,000	-	50,000	08/01/22-25
Series 2006A	135,000	113,300	(7,950)	105,350	08/01/11-26
Series 2006B	215,065	188,845	(9,460)	179,385	08/01/11-26
Series 2007A	242,480	225,035	(11,345)	213,690	08/01/11-27
Series 2008A	58,995	46,490	(14,755)	31,735	08/01/11-12
Series 2008B	150,000	146,255	(4,935)	141,320	08/01/11-28
Series 2009A	40,995	40,995	(2,655)	38,340	08/01/11-21
Series 2009B	265,000	265,000	(10,675)	254,325	08/01/11-29
Series 2009C	10,000	10,000	(680)	9,320	08/01/11-21
Series 2009D	42,745	42,745	(65)	42,680	08/01/11-21
Series 2010A1	60,520	60,520	-	60,520	08/01/11-15
Series 2010A2 BABs	256,710	256,710	-	256,710	08/01/16-30
Series 2010B1	87,510	-	87,510	87,510	08/01/11-18
Series 2010B2 Taxable BABs	195,310	-	195,310	195,310	08/01/19-30
Series 2010B3 Refunding	50,780	-	50,780	50,780	08/01/12-22
Deferral on Debt Defeasance	-	(21,629)	(572)	(22,201)	
Unamortized Premium	-	112,124	7,705	119,829	
Total Virginia Public Building Authority Bonds	3,078,755	2,276,819	141,694	2,418,513	

Continued on next page

Tax-Supported Debt – Detail of Long-term Indebtedness *(Continued from previous page)*

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
Nongeneral Obligation Debt *(continued)*					
Section 9(d) Debt *(continued)*					
Virginia College Building Authority Bonds (Component Unit) (1)					
21st Century College Program					
Series 2002	130,795	7,545	(3,680)	3,865	02/01/12
Series 2003	140,250	14,470	(4,590)	9,880	02/01/12-13
Series 2004A	172,745	22,145	(5,135)	17,010	02/01/12-14
Series 2004B Refunding	61,395	53,920	(6,600)	47,320	02/01/12-20
Series 2005	115,785	18,870	(2,540)	16,330	02/01/12-25
Series 2006A	53,835	12,335	(12,335)	-	
Series 2006BC	120,000	111,235	(5,115)	106,120	02/01/12-26
Series 2007A	59,125	59,125	-	59,125	02/01/14-22
Series 2007B	132,095	59,440	(18,820)	40,620	02/01/12-27
Series 2008A	144,075	125,180	(9,685)	115,495	02/01/12-28
Series 2009A	284,020	272,725	(8,165)	264,560	02/01/12-29
Series 2009B	84,680	75,785	(8,200)	67,585	02/01/12-18
Series 2009C Refunding	12,945	12,320	(1,820)	10,500	02/01/12-15
Series 2009D	52,420	52,420	(5,845)	46,575	02/01/12-17
Series 2009E Refunding	208,860	208,860	(265)	208,595	02/01/12-24
Series 2009F1	53,880	53,880	(12,675)	41,205	02/01/12-14
Series 2009F2 Taxable BABs	390,575	390,575	-	390,575	02/01/15-30
Series 2010A	50,350	50,350	(7,025)	43,325	02/01/12-17
Series 2010B1	55,815	-	55,815	55,815	02/01/12-15
Series 2010B2 Taxable BABs	290,600	-	290,600	290,600	02/01/16-30
Deferral on Debt Defeasance	-	(17,668)	1,674	(15,994)	
Unamortized Premium	-	94,105	(3,625)	90,480	
Total Virginia College Building Authority Bonds	2,614,245	1,677,617	231,969	1,909,586	
Transportation Debt (Primary Government)					
Route 28 Refunding Bonds	111,680	102,978	(2,475)	100,503	10/01/03-18
Transportation Revenue Bonds (U.S. Route 58)	606,620	440,655	(29,265)	411,390	11/15/03-26
Northern Virginia Transportation District Program	324,410	324,010	(18,720)	305,290	11/15/03-26
Oak Grove Connector (Chesapeake)	33,075	19,735	(1,240)	18,495	11/15/03-22
Capital Projects	492,665	492,665	586,640	1,079,305	
Deferral on Debt Defeasance	-	(3,162)	655	(2,507)	
Unamortized Premium	-	52,037	44,088	96,125	
Total Section 9(d) Transportation Debt	1,568,450	1,428,918	579,683	2,008,601	
Virginia Port Authority Debt (Component Unit)					
Series 1996	38,300	-	-	-	
Series 1998 Refunding	71,015	-	-	-	
Series 2002	135,000	118,225	(4,140)	114,085	07/11/92-27
Series 2005	60,000	54,670	(1,515)	53,155	07/01/05-30
Series 2006	21,730	16,595	(2,230)	14,365	07/01/07-16
Deferral on Debt Defeasance	-	(95)	20	(75)	
Unamortized Premium	-	4,892	(411)	4,481	
Total Virginia Port Authority Debt	326,045	194,287	(8,276)	186,011	
Innovation and Entrepreneurship Investment Authority Debt (Component Unit)					
Series 1997	13,300	4,480	(1,015)	3,465	05/01/97-14

Series	Amount Issued	Outstanding June 30, 2010	Issued (Retired) During Year	Outstanding June 30, 2011	Maturity
Nongeneral Obligation Debt *(continued)*					
Section 9(d) Debt *(continued)*					
Virginia Biotechnology Research Partnership					
Authority (Component Unit)					
Series 1996	91,010	42,125	(2,630)	39,495	09/01/03-22
Deferral on Debt Defeasance	-	(2,940)	250	(2,690)	
Unamortized Discount	-	(692)	63	(629)	
Unamortized Premium	-	4,157	(378)	3,779	
	91,010	42,650	(2,695)	39,955	
Virginia Public Broadcasting Board					
Board Notes Payable	23,840	2,990	(2,990)	-	08/01/03-11
Industrial Development Authority Obligations	42,490	5,150	(5,150)	-	03/01/03-11
Economic Development Authority Obligations	96,515	86,465	(3,690)	82,775	12/01/06-26
Unamortized Premium	-	3,257	(205)	3,052	
	96,515	89,722	(3,895)	85,827	
Total Section 9(d) Debt	7,854,650	5,722,633	929,325	6,651,958	
Nongeneral Obligation Debt and Other Obligations					
Other Long-term Debt (2)					
Capital Leases	-	201,501	5,237	206,738	
Installment Purchase Obligations	-	214,976	4,315	219,291	
Transportation Notes Payable	-	8,000	-	8,000	
Regional Jail Construction Liability	-	6,445	(1,828)	4,617	
Tax Refund Note	-	81,278	(20,319)	60,959	
Aviation Note Payable	6,600	1,623	(287)	1,336	
Total Other Long-term Debt	6,600	513,823	(12,882)	500,941	
Other Long-term Obligations					
Compensated Absences	-	559,828	(156)	559,672	
Pension Liability	-	1,653,718	396,477	2,050,195	
OPEB Liability	-	433,688	210,149	643,837	
Other	-	30,060	(980)	29,080	
Total Other Long-term Obligations	-	2,677,294	605,490	3,282,784	
Total Nongeneral Obligation Debt and Other Obligations	7,861,250	8,913,750	1,521,933	10,435,683	
Total Tax-Supported Debt and Other Obligations	$ 10,359,607	$ 10,594,410	$ 1,566,927	$ 12,161,337	

(1) These amounts are reported as notes payable on the higher education institutions' financial statements.
(2) Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Governmental Activities include internal service funds.

STATISTICAL SECTION

The financial presentations included in this section present detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Financial Trends

Ten-Year Schedule of Revenues and Expenditures – Modified Accrual Basis
General Governmental Revenue by Source and Expenditures by Function

For Fiscal Year Ended June 30
(Dollars in Millions)

	2011	2010	2009	2008
Tax Revenues:				
Individual and Fiduciary Income	$ 10,050	$ 8,730	$ 9,471	$ 10,084
Sales and Use	3,674	3,553	3,568	3,820
Motor Fuels	903	891	889	924
Corporation Income	827	833	642	767
Public Service Corporations	113	112	103	106
Motor Vehicle Sales and Use	495	440	406	534
Communications Sales and Use	556	453	-	-
Gross Premiums of Insurance Companies	412	391	387	397
Alcoholic Beverage Sales	114	111	110	106
Deeds, Contracts, Wills, and Suits	335	326	351	457
Beer and Beverage Excise	44	44	45	44
Estate	2	6	4	136
Tobacco Products	175	178	182	183
Bank Stock	25	24	21	14
Wine and Spirits / ABC Liter	23	21	20	19
Other Taxes	77	74	77	68
Total Tax Revenues	17,825	16,187	16,276	17,659
Other Revenues:				
Federal and Other Grants, Donations, and Federal Revenue Sharing	10,749	10,628	8,113	6,627
Institutional Revenue	384	403	409	390
Sales of Property and Commodities	36	32	26	29
Rights and Privileges	917	870	889	933
Interest, Dividends, and Rents	159	294	218	452
Fines, Forfeitures, Costs, Penalties and Escheats	368	343	349	394
Assessments - Special Services	122	116	113	109
Other Revenues	712	704	611	645
Total Other Revenues	13,447	13,390	10,728	9,579
Total Revenues	$ 31,272	$ 29,577	$ 27,004	$ 27,238
Percentage Increase Over Previous Year	5.7%	9.5%	(0.9%)	3.2%
Expenditures by Function:				
Education	$ 8,682	$ 8,843	$ 9,260	$ 8,940
Administration of Justice	2,398	2,399	2,531	2,543
Individual and Family Services	12,688	12,236	10,764	9,345
Resources and Economic Development	886	897	990	868
Transportation	3,860	3,401	3,704	3,883
General Government (1)	3,129	2,932	2,512	2,612
Capital Outlay	439	619	612	845
Total Expenditures	$ 32,082	$ 31,327	$ 30,373	$ 29,036
Percentage Increase Over Previous Year	2.4%	3.1%	4.6%	6.0%

Includes all General, Special Revenue, Debt Service, Capital Project, and Permanent Funds

(1) General Government expenditure amounts include debt service principal retirement and interest charges.

Source: Department of Accounts

2007	2006	2005	2004	2003	2002
$ 9,629	$ 9,236	$ 8,344	$ 7,380	$ 6,751	$ 6,758
3,760	3,682	3,569	3,007	2,722	2,646
930	902	912	904	881	859
889	869	644	426	344	236
89	91	89	91	99	82
588	593	599	589	529	527
-	-	-	-	-	-
385	374	374	351	333	293
100	94	89	86	81	76
584	696	597	341	286	214
44	44	43	43	42	42
140	167	161	148	141	138
188	189	122	16	15	15
13	12	10	9	9	10
18	16	14	8	9	10
79	78	71	134	109	91
17,436	17,043	15,638	13,533	12,351	11,997
6,204	5,958	5,627	5,832	5,524	4,916
360	343	324	338	334	444
24	32	37	28	26	28
826	816	758	734	689	623
532	256	204	84	191	264
334	279	317	317	380	330
110	103	105	96	96	99
558	634	685	475	468	1,101
8,948	8,421	8,057	7,904	7,708	7,805
$ 26,384	$ 25,464	$ 23,695	$ 21,437	$ 20,059	$ 19,802
3.6%	7.5%	10.5%	6.9%	1.3%	5.1%
$ 8,700	$ 7,661	$ 7,068	$ 6,236	$ 6,250	$ 6,187
2,398	2,296	2,204	2,052	2,032	2,157
8,996	8,626	8,060	7,525	7,134	6,864
812	788	708	668	641	721
3,141	3,092	3,115	2,917	3,044	3,269
2,545	2,246	2,101	2,179	1,925	1,805
808	588	414	193	108	255
$ 27,400	$ 25,297	$ 23,670	$ 21,770	$ 21,134	$ 21,258
8.3%	6.9%	8.7%	3.0%	(0.6%)	16.7%

Net Assets by Component
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2011	2010	2009	2008
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	$ 18,320	$ 17,424	$ 16,209	$ 15,241
Restricted	1,171	1,160	1,421	1,641
Unrestricted	(1,596)	(1,887)	(1,555)	516
Total Governmental Activities Net Assets	17,895	16,697	16,075	17,398
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	35	31	23	26
Restricted	16	16	372	816
Unrestricted	70	(169)	(180)	59
Total business-type Activities Net Assets	121	(122)	215	901
Primary Government:				
Invested in Capital Assets, Net of Related Debt	18,355	17,455	16,232	15,267
Restricted	1,187	1,176	1,793	2,457
Unrestricted	(1,526)	(2,056)	(1,735)	575
Total Primary Government Net Assets	$ 18,016	$ 16,575	$ 16,290	$ 18,299

Source: Department of Accounts

2007	2006	2005	2004	2003	2002
$ 13,835	$ 11,637	$ 11,830	$ 11,097	$ 9,811	$ 9,152
1,893	1,588	1,252	857	883	1,433
944	2,874	841	598	440	(134)
16,672	16,099	13,923	12,552	11,134	10,451
30	32	(132)	22	24	24
872	790	600	412	437	900
212	17	(49)	(250)	(290)	(108)
1,114	839	419	184	171	816
13,865	11,669	11,698	11,119	9,835	9,176
2,765	2,378	1,852	1,269	1,320	2,333
1,156	2,891	792	348	150	(242)
$ 17,786	$ 16,938	$ 14,342	$ 12,736	$ 11,305	$ 11,267

Changes in Net Assets
Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2011	2010	2009	2008
Expenses				
Governmental Activities:				
General Government	$ 2,917	$ 2,829	$ 2,541	$ 2,470
Education	9,086	9,312	9,566	9,300
Transportation	2,839	2,311	2,786	3,054
Resources and Economic Development	1,006	1,107	1,003	878
Individual and Family Services	12,663	12,285	10,757	9,249
Administration of Justice	2,641	2,741	2,611	2,607
Interest on Long-term Debt	228	206	201	205
Total Governmental Activities Expenses	31,380	30,791	29,465	27,763
Business-type Activities:				
State Lottery	1,030	998	920	936
Virginia College Savings Plan	243	294	115	244
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	662	923	881	433
Alcoholic Beverage Control	479	469	467	457
Risk Management	8	7	6	6
Local Choice Health Care	230	231	231	202
Virginia Industries for the Blind	28	28	24	24
Consolidated Laboratory	7	6	6	6
eVA Procurement System	17	19	18	18
Department of Environmental Quality Title V	10	10	11	12
Wireless E-911	38	48	53	50
Museum and Library Gift Shops	7	2	1	2
Behavioral Health Canteen and Work Activity	-	1	1	-
Virginia Information Providers Network	-	-	-	-
Total Business-type Activities Expenses	2,759	3,036	2,734	2,390
Total Primary Government Expenses	$ 34,139	$ 33,827	$ 32,199	$ 30,153
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	$ 254	$ 248	$ 243	$ 229
Education	388	380	373	379
Transportation	650	611	643	709
Resources and Economic Development	309	306	299	297
Individual and Family Services	430	411	415	389
Administration of Justice	322	308	321	387
Operating Grants and Contributions	9,950	9,951	7,584	6,067
Capital Grants and Contributions	1,324	1,603	997	1,152
Total Governmental Activities Program Revenues	13,627	13,818	10,875	9,609

Source: Department of Accounts

2007	2006	2005	2004	2003	2002
$ 2,645	$ 2,015	$ 2,029	$ 1,947	$ 1,654	$ 1,603
9,542	7,926	7,269	6,497	6,484	6,406
2,256	2,559	2,493	2,217	2,210	2,195
841	835	765	687	669	771
9,022	8,570	7,991	7,587	7,153	6,919
2,659	2,493	2,262	2,126	2,115	2,323
203	209	167	172	189	224
27,168	24,607	22,976	21,233	20,474	20,441
929	908	908	846	759	743
180	238	311	4	408	259
-	39	39	37	37	25
382	339	359	485	712	656
434	408	375	355	334	316
3	6	3	8	6	7
179	165	155	131	111	102
20	20	21	20	15	11
6	5	5	5	5	3
19	6	7	7	7	2
11	11	10	10	11	11
47	43	39	37	42	21
2	2	2	2	2	3
1	1	1	1	-	1
-	14	35	35	-	-
2,213	2,205	2,270	1,983	2,449	2,160
$ 29,381	$ 26,812	$ 25,246	$ 23,216	$ 22,923	$ 22,601
$ 216	$ 251	$ 258	$ 224	$ 195	$ 183
350	311	272	228	304	292
583	601	537	518	523	469
299	280	241	226	205	190
370	394	398	394	341	1,165
292	286	294	346	321	374
5,870	5,671	5,262	5,312	4,796	3,998
851	707	578	734	779	1,188
8,831	8,501	7,840	7,982	7,464	7,859

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Changes in Net Assets
Accrual Basis of Accounting *(Continued from previous page)*

Last Ten Fiscal Years
(Dollars in Millions)

	2011	2010	2009	2008
Business-type Activities:				
Charges for Services:				
State Lottery	1,483	1,436	1,366	1,389
Virginia College Savings Plan	459	371	(117)	70
Pocahontas Parkway	-	-	-	-
Unemployment Compensation	686	524	341	350
Alcoholic Beverage Control	598	584	573	552
Risk Management	4	5	6	7
Local Choice Health Care	247	241	226	216
Virginia Industries for the Blind	28	30	24	24
Consolidated Laboratory	8	7	9	8
eVA Procurement System	19	17	27	26
Department of Environmental Quality Title V	7	10	9	10
Wireless E-911	53	53	51	51
Museum and Library Gift Shops	8	2	2	2
Behavioral Health Canteen and Work Activity	-	-	-	1
Virginia Information Providers Network	-	-	-	-
Operating Grants and Contributions	1	4	105	39
Total Business-type Activities Program Revenue	3,601	3,284	2,622	2,745
Total Primary Government Program Revenues	$ 17,228	$ 17,102	$ 13,497	$ 12,354
Net (Expense)/Revenue				
Governmental Activities	$ (17,753)	$ (16,973)	$ (18,590)	$ (18,154)
Business-type Activities	842	248	(112)	355
Total Primary Government Net Expense	$ (16,911)	$ (16,725)	$ (18,702)	$ (17,799)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual and Fiduciary Income	$ 10,050	$ 8,779	$ 9,559	$ 10,100
Sales and Use	3,669	3,569	3,554	3,821
Corporation Income	852	846	546	772
Motor Fuel	903	891	889	924
Motor Vehicle Sales and Use	495	440	406	534
Communications Sales and Use	557	456	-	-
Premiums of Insurance Companies	406	414	365	356
Public Service Corporations	113	112	103	106
Other Taxes	795	777	814	1,025
Unrestricted Grants and Contributions	48	49	60	54
Investment Earnings	63	205	143	349
Miscellaneous	286	427	237	224
Transfers	615	597	591	593
Contributions to Permanent and Term Endowments	-	-	-	-
Total Governmental Activities	18,852	17,562	17,267	18,858
Business-type Activities:				
Other Taxes	9	10	13	12
Investment Earnings	1	2	4	12
Miscellaneous	-	-	-	1
Transfers	(614)	(597)	(591)	(593)
Special Items	-	-	-	-
Total Business-type Activities	(604)	(585)	(574)	(568)
Total Primary Government	$ 18,248	$ 16,977	$ 16,693	$ 18,290
Change in Net Assets				
Governmental Activities	$ 1,099	$ 589	$ (1,323)	$ 704
Business-type Activities	238	(337)	(686)	(213)
Total Primary Government	$ 1,337	$ 252	$ (2,009)	$ 491

Source: Department of Accounts

2007	2006	2005	2004	2003	2002
1,366	1,367	1,334	1,262	1,136	1,108
328	272	379	109	234	160
-	15	10	7	5	-
438	543	539	445	263	158
525	497	465	426	388	358
7	5	6	5	5	5
207	186	158	138	119	101
21	21	22	22	15	11
7	6	5	5	5	3
29	7	4	5	-	-
10	10	10	9	10	11
50	43	39	34	30	29
2	2	2	3	3	3
1	1	1	1	1	1
-	15	35	36	-	-
36	27	19	17	38	278
3,027	3,017	3,028	2,524	2,252	2,226
$ 11,858	$ 11,518	$ 10,868	$ 10,506	$ 9,716	$ 10,085
$ (18,337)	$ (16,106)	$ (15,136)	$ (13,251)	$ (13,010)	$ (12,582)
814	812	758	541	(197)	66
$ (17,523)	$ (15,294)	$ (14,378)	$ (12,710)	$ (13,207)	$ (12,516)
$ 9,639	$ 9,206	$ 8,356	$ 7,364	$ 6,816	$ 6,714
3,756	3,679	3,578	3,014	2,736	2,659
906	838	651	412	326	240
930	938	912	908	882	854
588	593	599	589	529	526
-	-	-	-	-	-
385	374	374	351	333	293
89	91	89	92	99	82
1,161	1,296	1,108	784	689	602
50	48	53	52	61	60
477	221	154	25	135	201
154	115	291	284	486	165
564	581	535	549	466	424
20	-	-	-	-	-
18,719	17,980	16,700	14,424	13,558	12,820
12	12	12	12	5	3
11	12	10	9	12	14
-	1	1	-	2	2
(563)	(581)	(535)	(549)	(466)	(424)
-	164	-	-	-	-
(540)	(392)	(512)	(528)	(447)	(405)
$ 18,179	$ 17,588	$ 16,188	$ 13,896	$ 13,111	$ 12,415
$ 381	$ 1,873	$ 1,564	$ 1,173	$ 548	$ 238
274	421	246	13	(644)	(339)
$ 655	$ 2,294	$ 1,810	$ 1,186	$ (96)	$ (101)

Changes in Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2011	2010	2009	2008
Revenues				
Taxes	$ 17,825	$ 16,187	$ 16,276	$ 17,659
Rights and Privileges	917	869	889	933
Institutional Revenue	384	403	409	390
Interest, Dividends, Rents, and				
Other Investment Income	159	294	218	452
Federal Grants and Contracts	10,749	10,628	8,112	6,627
Other	1,238	1,196	1,100	1,177
Total Revenues	31,272	29,577	27,004	27,238
Expenditures				
General Government	2,439	2,306	1,889	2,047
Education	8,683	8,842	9,260	8,940
Transportation	3,860	3,401	3,704	3,883
Resources and Economic Development	886	897	990	868
Individual and Family Services	12,688	12,236	10,764	9,345
Administration of Justice	2,398	2,399	2,531	2,543
Capital Outlay	439	619	612	845
Debt Service:				
Principal Retirement	456	420	416	362
Interest and Charges	233	206	207	203
Total Expenditures	32,082	31,326	30,373	29,036
Revenues Over (Under) Expenditures	(810)	(1,749)	(3,369)	(1,798)
Other Financing Sources (Uses)				
Transfers In	1,498	1,624	1,571	1,663
Transfers Out	(876)	(1,022)	(976)	(1,070)
Notes Issued	37	20	21	-
Insurance Recoveries	8	5	8	6
Capital Leases	2	1	1	5
Bonds Issued	883	941	646	416
Premium on Debt Issuance	71	44	46	23
Refunding Bonds Issued	51	124	68	59
Sale of Capital Assets	3	4	4	7
Payments to Refunded Bond Escrow Agents	(55)	(146)	(74)	(62)
Total Other Financing Sources (Uses)	1,622	1,595	1,315	1,047
Net Change in Fund Balances	$ 812	$ (154)	$ (2,054)	$ (751)
Debt Service as a Percentage of				
Noncapital Expenditures (1)	2.30%	2.04%	2.09%	2.00%

(1) Noncapital expenditures exclude expenditures for capital outlay, which are recorded by function. The majority of these expenditures were for Transportation.

Source: Department of Accounts

2007	2006	2005	2004	2003	2002
$ 17,436	$ 17,043	$ 15,636	$ 13,533	$ 12,351	$ 11,996
826	816	758	734	689	623
360	343	325	338	334	444
532	256	204	84	191	265
6,203	5,958	5,627	5,832	5,524	4,916
1,027	1,048	1,144	916	971	1,558
26,384	25,464	23,694	21,437	20,060	19,802
2,030	1,787	1,687	1,757	1,549	1,483
8,700	7,661	7,068	6,236	6,250	6,187
3,141	3,092	3,115	2,917	3,044	3,269
812	788	708	668	641	721
8,996	8,626	8,060	7,524	7,134	6,864
2,398	2,296	2,204	2,052	2,032	2,157
809	588	414	193	108	255
322	280	249	243	195	156
192	179	165	179	181	166
27,400	25,297	23,670	21,769	21,134	21,258
(1,016)	167	24	(332)	(1,074)	(1,456)
1,637	1,590	1,555	1,507	1,643	1,542
(1,072)	(1,014)	(1,018)	(954)	(1,161)	(1,116)
16	128	-	-	7	-
7	4	-	-	-	-
4	1	1	-	60	4
593	584	375	-	713	196
40	45	84	19	102	4
123	205	731	186	573	-
8	7	-	-	-	-
(131)	(214)	(789)	(211)	(610)	-
1,225	1,336	939	547	1,327	630
$ 209	$ 1,503	$ 963	$ 215	$ 253	$ (826)
1.93%	1.86%	1.78%	1.96%	1.79%	1.53%

Fund Balance, Governmental Funds
Modified Accrual Basis of Accounting

Last Ten Fiscal Years
(Dollars in Millions)

	2011	2010	2009	2008	2007
General Fund					
Reserved (1)	$ -	$ 395	$ 670	$ 1,125	$ 1,420
Unreserved (1)	-	(1,069)	(928)	78	564
Nonspendable	113	-	-	-	-
Restricted	464	-	-	-	-
Committed	410	-	-	-	-
Unassigned	(1,046)	-	-	-	-
Total	$ (59)	$ (674)	$ (258)	$ 1,203	$ 1,984
All Other Governmental Funds					
Special Revenue Funds					
Reserved (1)	$ -	$ 515	$ 306	$ 343	$ 377
Unreserved (1)	-	2,502	2,325	3,072	3,060
Nonspendable	111	-	-	-	-
Restricted	490	-	-	-	-
Committed	2,683	-	-	-	-
Assigned	10	-	-	-	-
Capital Projects Funds					
Unreserved (1)	-	206	331	134	81
Restricted	145	-	-	-	-
Permanent Funds					
Unreserved (1)	-	47	45	52	53
Nonspendable	29	-	-	-	-
Restricted	1	-	-	-	-
Total	$ 3,469	$ 3,270	$ 3,007	$ 3,601	$ 3,571

(1) GASB Statement No. 54 changes in fund balance information presented in this section were limited to fiscal year 2011. Fund balances prior to fiscal year 2011 were not reclassified because this was deemed impractical. The nature of the difference between fiscal year 2011 and all prior years relates to fund balances for years prior to fiscal year 2011 not being reclassified to GASB Statement No. 54 fund classifications. For additional information on fund balance classifications, see Note 3, Fund Balance Classifications.

Source: Department of Accounts

2006	2005	2004	2003	2002
$ 1,162	$ 708	$ 409	$ 285	$ 532
973	521	37	(221)	(749)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 2,135	$ 1,229	$ 446	$ 64	$ (217)
$ 202	$ 235	$ 163	$ 144	$ 97
2,882	2,278	2,155	2,205	1,972
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(16)	(33)	(34)	113	53
-	-	-	-	-
30	28	28	25	25
-	-	-	-	-
-	-	-	-	-
$ 3,098	$ 2,508	$ 2,312	$ 2,487	$ 2,147

Comparison of General Fund Balance

Last Ten Fiscal Years
(Dollars in Millions)

Fiscal Year Ended June 30,	Fund Balance Budgetary Basis	Fund Balance Modified Accrual Basis
2011	$ 1,297.6	$ (58.8)
2010	870.9	(674.3)
2009	823.5	(258.5)
2008	2,219.8	1,202.9
2007	2,955.1	1,984.0
2006	2,890.0	2,135.5
2005	1,865.3	1,229.0
2004	1,109.6	446.2
2003	554.8	63.6
2002	632.9	(216.7)

Source: Department of Accounts

Revenue Capacity

Personal Income Tax Rates

Last Ten Fiscal Years
(Dollars in Millions)

For the Fiscal Year Ended June 30,	Personal Income Tax Collections (1)	Personal Income (2)(3)	Average Effective Rate (4)
2011	$ 9,944	$ 371,011	2.68%
2010	9,088	353,827	2.57%
2009	9,481	342,568	2.77%
2008	10,115	348,863	2.90%
2007	9,788	333,573	2.93%
2006	9,309	314,893	2.96%
2005	8,352	292,208	2.86%
2004	7,430	272,713	2.72%
2003	6,776	255,660	2.65%
2002	6,711	245,172	2.74%

(1) Tax revenues from individual and fiduciary income tax.
(2) Personal income amounts provided by U.S. Bureau of Economic Analysis website.
(3) Amounts for 2007-2010 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.
(4) Average effective rate equals tax collections divided by income.

Source: Department of Taxation
U.S. Bureau of Economic Analysis

Effective Tax Rates (1)

Tax Years 2001 – 2010

Income Tax Bracket	Tax Rate
$0 - $3,000	2.00%
$3,000 - $5,000	2.00% - 2.40%
$5,000 - $17,000	2.40% - 4.23%
$17,000 - $30,000	4.23% - 4.89%
$30,000 - $50,000	4.89% - 5.23%
$50,000 - $100,000	5.23% - 5.49%
Over $100,000	5.49% up to 5.75%

(1) Amounts shown are for all filing status returns.

Source: Department of Taxation

Personal Income Tax Filers and Liability by Income Level (1)

Current Year and Ten Years Ago

	Tax Year Ended December 31, 2009 (2)				Tax Year Ended December 31, 2000			
Income Level	Number of Returns	% of Total	Income Tax Liability	% of Total	Number of Returns	% of Total	Income Tax Liability	% of Total
$100,000 and higher	577,253	16.36%	$ 5,524,640,240	62.51%	312,846	10.07%	$ 3,427,620,296	52.31%
$75,000 - $99,999	299,184	8.48%	1,044,908,894	11.82%	219,058	7.05%	799,307,869	12.21%
$50,000 - $74,999	462,142	13.10%	1,067,958,540	12.08%	407,849	13.13%	1,001,737,208	15.29%
$25,000 - $49,999	823,447	23.34%	947,713,730	10.72%	745,033	23.98%	977,728,887	14.92%
$10,000 - $24,999	736,550	20.87%	250,030,958	2.83%	711,909	22.91%	322,569,685	4.92%
$9,999 and lower	630,188	17.85%	3,155,012	0.04%	710,051	22.86%	23,254,091	0.35%
Total	3,528,764	100.00%	$ 8,838,407,374	100.00%	3,106,746	100.00%	$ 6,552,218,036	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.
(2) Tax year 2009 is the most recent year for which data are available.

Source: Department of Taxation

Personal Income by Industry

Last Ten Fiscal Years
(Dollars in Millions)

	2011 (1)	2010 (2)	2009 (2)	2008 (2)	2007 (2)
Farm Earnings	$ 148	$ 287	$ 289	$ 355	$ 235
Agricultural/Forestry, Fishing, and Other	281	292	284	285	331
Mining	1,164	966	873	1,093	931
Construction	13,611	14,103	13,474	15,987	17,381
Manufacturing	15,114	14,856	15,677	16,901	16,974
Transportation, Warehousing, Information and Public Utilities	16,557	16,307	16,608	14,326	17,168
Wholesale Trade	9,927	9,267	9,312	9,735	9,833
Retail Trade	14,303	13,961	13,381	13,953	14,393
Finance, Insurance, Real Estate, Rental and Leasing	17,735	16,054	16,368	17,594	18,825
Services	116,373	110,994	106,456	105,034	98,000
Federal, Civilian	24,061	23,728	21,825	20,697	19,609
Military	17,029	17,020	16,413	15,858	15,120
State and Local Government	29,544	29,739	29,776	28,988	27,604
Other (3)	95,164	86,253	81,832	88,057	77,169
Total Personal Income	$ 371,011	$ 353,827	$ 342,568	$ 348,863	$ 333,573
Average Effective Rate (4)	2.68%	2.57%	2.77%	2.90%	2.93%

(1) Personal income figures for 2011 are estimated.
(2) Amounts for 2007-2010 were revised to reflect the incorporation of newly available and revised source data.
(3) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.
(4) The total direct rate for personal income is not available. Average effective rate equals tax collections divided by income.

Source: U.S. Bureau of Economic Analysis (BEA)
Note: Details may not agree to BEA due to rounding.

2006	2005	2004	2003	2002
$ 330	$ 627	$ 552	$ 298	$ 300
323	257	303	269	272
1,016	830	761	631	617
17,949	16,735	15,568	13,505	13,019
17,055	17,199	16,536	16,596	16,499
17,226	16,913	16,385	15,386	15,379
8,976	8,470	8,042	7,402	7,165
14,190	13,734	13,093	12,428	11,813
18,677	18,358	16,300	15,697	15,054
91,113	83,935	76,830	69,834	65,788
18,012	17,166	16,630	14,408	13,869
14,396	13,412	12,813	11,925	10,662
26,215	24,642	22,791	21,410	20,533
69,415	59,930	56,109	55,871	54,202
$ 314,893	$ 292,208	$ 272,713	$ 255,660	$ 245,172
2.96%	2.86%	2.72%	2.65%	2.74%

Taxable Sales by Business Class (1) (2)

Last Ten Calendar Years
(Dollars in Millions)

	2010	2009	2008	2007	2006
Apparel	$ 4,601	$ 4,494	$ 5,015	$ 5,191	$ 4,917
Automotive	2,555	2,397	2,440	2,563	2,413
Food	24,617	24,134	23,721	22,502	19,943
Furniture, Home Furnishings, and Equipment	2,442	2,519	3,013	3,448	3,684
General Merchandise	19,836	19,577	19,387	19,574	17,104
Lumber, Building Materials and Supply	7,652	7,369	8,140	9,354	8,929
Fuel	1,691	1,582	1,539	1,729	1,778
Machinery, Equipment and Supplies	243	173	241	238	213
Miscellaneous	16,402	16,780	18,527	18,301	18,355
Hotels, Motels, Tourist Camps, etc.	2,837	2,804	3,066	3,079	3,003
Alcoholic Beverage	545	532	517	487	456
Other Miscellaneous and Unidentifiable	2,997	3,505	4,495	5,577	8,683
Total	$ 86,418	$ 85,866	$ 90,101	$ 92,043	$ 89,478
Direct Sales Tax Rate (3)	5.0%	5.0%	5.0%	5.0%	5.0%

(1) Retail sales information is available only on a calendar-year basis.
(2) Data from tax year 2005 is not available. Beginning with the third quarter of tax year 2005, business classification categories provided by the Department of Taxation changed to reflect NAICS codes. Consequently, the first half of tax year 2005 information is not available in a comparable form to the second half of tax year 2005. Files from before the third quarter of tax year 2005 will never be directly comparable with files from the third quarter of tax year 2005 and thereafter.
(3) Effective September 1, 2004, the sales tax rate increased from 4.5 percent to 5.0 percent.

Source: Department of Taxation

2004	2003	2002	2001	2000
$ 4,087	$ 3,719	$ 3,579	$ 3,434	$ 3,503
5,146	4,810	4,487	3,470	3,297
21,931	20,887	19,937	19,378	19,014
6,015	5,666	5,208	5,006	5,255
13,312	12,686	12,117	12,472	12,693
9,006	7,431	6,979	6,778	6,441
488	487	392	458	533
3,581	3,151	3,001	3,112	3,427
14,914	13,297	12,466	12,051	11,732
2,354	2,307	2,213	2,157	2,392
409	483	186	342	298
48	49	80	67	75
$ 81,291	$ 74,973	$ 70,645	$ 68,725	$ 68,660
4.5%	4.5%	4.5%	4.5%	4.5%

Sales Tax Revenue by Business Class (1)

Tax Year 2010 and Nine Years Ago

	Tax Year Ended December 31, 2010				Tax Year Ended December 31, 2001			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Apparel	3,949	3.75%	$ 4,600,663,663	5.32%	5,672	4.09%	$ 3,433,932,880	4.99%
Automotive	3,176	3.02%	2,554,662,126	2.96%	11,548	8.33%	3,470,235,894	5.05%
Food	20,522	19.49%	24,617,213,769	28.49%	26,052	18.78%	19,378,297,949	28.20%
Furniture, Home Furnishings, and Equipment	4,070	3.87%	2,441,543,598	2.83%	8,911	6.42%	5,006,441,268	7.28%
General Merchandise	15,842	15.05%	19,836,481,924	22.95%	9,317	6.72%	12,471,539,049	18.15%
Lumber, Building Materials, and Supply	5,912	5.62%	7,652,204,395	8.85%	4,829	3.48%	6,777,799,727	9.86%
Fuel	2,804	2.66%	1,691,355,684	1.96%	927	0.67%	458,375,863	0.67%
Machinery, Equipment, and Supply	164	0.16%	243,014,105	0.28%	8,796	6.34%	3,111,732,098	4.53%
Miscellaneous	37,770	35.88%	16,402,420,191	18.98%	59,718	43.05%	12,051,221,915	17.53%
Hotels, Motels, Tourist Camps, etc.	2,208	2.09%	2,836,843,325	3.28%	2,049	1.48%	2,156,980,526	3.14%
Alcoholic Beverage	333	0.32%	544,875,259	0.63%	510	0.37%	341,634,683	0.50%
Other Miscellaneous and Unidentifiable	8,526	8.09%	2,997,293,036	3.47%	377	0.27%	67,097,336	0.10%
Total	105,276	100.00%	$ 86,418,571,075	100.00%	138,706	100.00%	$ 68,725,289,188	100.00%

(1) Due to confidentiality issues, the names of the ten largest revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the state's revenue.

Source: Department of Taxation
Weldon Cooper Center for Public Service, University of Virginia

Debt Capacity

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities		Total Primary Government	Debt as a Percentage of Personal Income (2)	Amount Per Capita (3)
	General Obligation Bonds	Non- General Obligation Bonds	Other Long-term Obligations (1)	Non-General Obligation Bonds	Other Long-term Obligations (1)			
2011	$ 960,374	$ 4,701,764	$ 348,972	$ -	$ 918	$ 6,012,028	1.62%	$ 749
2010	1,049,386	4,120,056	366,170	-	1,594	5,537,206	1.56%	702
2009	1,077,520	3,549,958	373,594	-	2,883	5,003,955	1.46%	638
2008	1,001,989	3,345,259	312,890	-	4,082	4,664,220	1.34%	601
2007	900,329	3,363,275	341,574	-	2,610	4,607,788	1.38%	599
2006	716,498	3,231,917	342,805	-	5,967	4,297,187	1.36%	564
2005	657,032	2,930,344	231,131	463,357	9,709	4,291,573	1.47%	571
2004	536,386	2,797,410	346,118	447,372	12,475	4,139,761	1.52%	557
2003	589,618	2,974,706	372,522	432,563	15,917	4,385,326	1.72%	603
2002	579,297	2,377,041	335,506	418,850	17,861	3,728,555	1.52%	529

(1) Pension, compensated absences, other postemployment benefits, uninsured employers' fund, lottery prizes payable, tuition benefits payable, and pollution remediation obligations have been excluded.
(2) Personal income amounts used for this calculation were obtained from the U. S. Bureau of Economic Analysis.
(3) Population statistics used in this calculation were provided by the Department of Taxation. Fiscal year 2011 population was estimated. The population statistics for 2002-2008 were revised to reflect the incorporation of newly available and revised source data.

Source: Department of Accounts

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years
(Amounts in Thousands except Per Capita)

For the Fiscal Year Ended June 30,	General Bonded Debt Outstanding [1]					Percentage of Tax Revenues [5]	Amount Per Capita [6]
	Governmental			Higher Education			
	9(a) [2]	9(b) [3]	9(c) [4]	9(c)	Total		
2011	$ -	$ 914,574	$ 45,800	$ 765,280	$ 1,725,654	17.35%	$ 215
2010	-	999,841	49,545	631,275	1,680,661	18.49%	213
2009	-	1,040,636	36,884	573,550	1,651,070	17.41%	211
2008	-	935,105	66,884	487,296	1,489,285	14.72%	192
2007	-	821,563	78,766	411,842	1,312,171	13.41%	171
2006	-	626,124	90,374	325,969	1,042,467	11.20%	137
2005	-	555,447	101,585	296,963	953,995	11.42%	127
2004	-	428,891	107,495	316,923	853,309	11.48%	115
2003	-	471,118	118,500	349,185	938,803	13.86%	129
2002	-	451,700	127,597	376,462	955,759	14.24%	136

[1] Amounts are net of unamortized premiums, discounts, deferrals on debt defeasance, and/or issuance expenses.
[2] Section 9(a) bonds have been issued to redeem previous debt obligations.
[3] Section 9(b) bonds have been authorized by the citizens of Virginia through bond referenda to finance capital projects. These bonds are retired through the use of state appropriations.
[4] Section 9(c) bonds are issued to finance capital projects which, when completed, will generate revenue to repay the debt.
[5] Individual and fiduciary Income tax collections were used for this calculation.
[6] Population statistics used in this calculation are provided by the Department of Taxation. Fiscal year 2011 population was estimated. The population statistics for 2002-2008 were revised to reflect the incorporation of newly available and revised source data.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

Last Ten Fiscal Years
(Dollars in Thousands)

Tax Revenues Required for Computation	2011	2010	2009	2008
Taxes on Income and Retail Sales:				
Individual and Fiduciary Income Tax [1]	$ 9,944,370	$ 9,088,252	$ 9,481,109	$ 10,114,833
Corporate Income Tax [2]	822,259	806,473	648,033	807,852
State Sales and Use Tax [3]	3,190,452	3,264,210	3,116,831	3,302,181
Total	$ 13,957,081	$ 13,158,935	$ 13,245,973	$ 14,224,866
Average Tax Revenues (Three Fiscal Years)	$ 13,453,996	$ 13,543,258	$ 13,804,097	$ 13,792,131
Section 9(a) [2] General Obligation Debt Limit [4]				
Debt Issuance Limit				
(30% of 1.15 times annual tax revenues)	$ 4,815,193	$ 4,539,833	$ 4,569,861	$ 4,907,579
Less Bonds Outstanding:	-	-	-	-
Debt Issuance Margin for Section 9(a) [2]				
General Obligation Bonds	$ 4,815,193	$ 4,539,833	$ 4,569,861	$ 4,907,579
Debt Applicable to Limit as a % Limit	0.00%	0.00%	0.00%	0.00%
Section 9(b) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	$ 15,472,096	$ 15,574,747	$ 15,874,712	$ 15,860,950
Less Bonds Outstanding:**				
Public Facilities Bonds [6]	914,574	993,372	1,027,941	916,483
Transportation Facilities Refunding Bonds [5] [6]	-	6,469	12,696	18,622
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(b)				
General Obligation Bonds	$ 14,557,522	$ 14,574,906	$ 14,834,075	$ 14,925,845
Debt Applicable to Limit as a % Limit	5.91%	6.42%	6.56%	5.90%
Additional Section 9(b) Debt Borrowing Restriction:				
Four-year Authorization Restriction (25% of 9(b) Debt Limit)	$ 3,868,024	$ 3,893,687	$ 3,968,678	$ 3,965,238
Less 9(b) Debt authorized in past three fiscal years	-	-	-	-
Maximum Additional Borrowing Restriction (amount that				
may be authorized by the General Assembly)	$ 3,868,024	$ 3,893,687	$ 3,968,678	$ 3,965,238
Section 9(c) General Obligation Debt Limit				
Debt Issuance Limit				
(1.15 times average tax revenues for three fiscal years)	$ 15,472,096	$ 15,574,747	$ 15,874,712	$ 15,860,950
Less Bonds Outstanding:**				
Parking Facilities Bonds [6]	19,445	21,151	6,527	7,590
Transportation Facilities Bonds [6]	26,355	28,394	30,358	59,294
Higher Educational Institution Bonds [6]	765,280	631,275	573,550	487,296
Bond Anticipation Notes	-	-	-	-
Debt Issuance Margin for Section 9(c)				
General Obligation Bonds	$ 14,661,016	$ 14,893,927	$ 15,264,277	$ 15,306,770
Debt Applicable to Limit as a % Limit	5.24%	4.37%	3.85%	3.49%

**Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

[1] Includes taxes imposed pursuant to Articles 2 and 9 of Chapter 3, Title 58.1 of the *Code of Virginia*. Fiscal year 2004 restated to reflect actual data as reported in the Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Major Special Funds of each respective year's CAFR.

[2] Includes taxes imposed pursuant to Article 10 of Chapter 3, Title 58.1 of the *Code of Virginia.*

[3] Includes taxes imposed pursuant to Chapter 6, Title 58.1 of the *Code of Virginia,* less taxes identified in Sections 58.1-605 and 58.1-638.

[4] Debt limit applies only to debt authorized pursuant to Article X, Section 9(a)(2) of the *Constitution of Virginia*.

[5] These bonds refunded certain Section 9(c) debt, and because the Governor did not certify the feasibility of the refinanced project, it must be applied against the Section 9(b) Debt Limit.

[6] Net of unamortized premium, discount and deferral on debt defeasance.

Sources: Department of Accounts
Department of the Treasury

2007	2006	2005	2004	2003	2002
$ 9,787,592	$ 9,308,570	$ 8,352,366	$ 7,430,365	$ 6,775,746	$ 6,710,857
879,575	871,554	616,690	434,493	343,319	290,215
3,274,286	3,029,949	3,093,725	2,582,797	2,335,958	2,429,845
$ 13,941,453	$ 13,210,073	$ 12,062,781	$ 10,447,655	$ 9,455,023	$ 9,430,917
$ 13,071,436	$ 11,906,836	$ 10,655,153	$ 9,777,865	$ 9,583,019	$ 9,630,355
$ 4,809,801	$ 4,557,475	$ 4,161,659	$ 3,604,441	$ 3,261,983	$ 3,253,666
-	-	-	-	-	-
$ 4,809,801	$ 4,557,475	$ 4,161,659	$ 3,604,441	$ 3,261,983	$ 3,253,666
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
$ 15,032,151	$ 13,692,862	$ 12,253,426	$ 11,244,545	$ 11,020,472	$ 11,074,908
797,300	596,464	520,655	389,219	422,399	399,005
24,263	29,660	34,792	39,672	48,719	52,695
-	-	-	-	-	-
$ 14,210,588	$ 13,066,738	$ 11,697,979	$ 10,815,654	$ 10,549,354	$ 10,623,208
5.47%	4.57%	4.53%	3.81%	4.27%	4.08%
$ 3,758,038	$ 3,423,215	$ 3,063,356	$ 2,811,136	$ 2,755,118	$ 2,768,727
-	-	1,019,529	1,019,529	1,019,529	1,019,529
$ 3,758,038	$ 3,423,215	$ 2,043,827	$ 1,791,607	$ 1,735,589	$ 1,749,198
$ 15,032,151	$ 13,692,862	$ 12,253,426	$ 11,244,545	$ 11,020,472	$ 11,074,908
8,804	9,939	11,040	6,367	7,199	9,605
69,962	80,435	90,545	101,128	111,301	117,992
411,842	325,969	296,963	316,923	349,185	376,462
-	-	-	-	-	-
$ 14,541,543	$ 13,276,519	$ 11,854,878	$ 10,820,127	$ 10,552,787	$ 10,570,849
3.26%	3.04%	3.25%	3.77%	4.24%	4.55%

Schedule of Pledged Revenue Bond Coverage
Primary Government 9(d) General Long-term Debt

Last Ten Fiscal Years
(Dollars in Thousands except Coverage)

Primary Government Revenue Bonds:	For the Fiscal Year Ended June 30,	Beginning Balance	Pledged Revenues (1)	Operating Expenses (2)	Net Available for Debt Service	Debt Service Requirements (3) (4) Principal	Debt Service Requirements (3) (4) Interest	Coverage
Pocahontas Parkway Association (4)	2011	$ -	$ -	$ -	$ -	$ -	$ -	-
(Series 1998A-D and 2001A)	2010	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-
	2008	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-
	2006	(140,294)	11,680	30,214	(158,828)	-	-	-
	2005	(115,062)	10,344	29,675	(134,393)	-	9,121	(14.73)
	2004	(75,338)	7,674	27,505	(95,169)	-	9,121	(10.43)
	2003	(62,755)	5,111	27,104	(84,748)	-	9,121	(9.29)
	2002	(28,271)	80	25,023	(53,214)	-	9,129	(5.83)

(1) Pocahontas Parkway bonds are payable solely from toll revenues.
(2) Operating expenses are exclusive of principal and interest.
(3) Includes principal and interest of revenue bonds only. Does not include debt defeasance transactions.
(4) This entity was established in 1999. The toll rights owned by the Pocahontas Parkway Association were sold on June 29, 2006; the association was relieved of any outstanding debt at that time and has no bonds outstanding at June 30, 2011, to report.

Demographic and Economic Information

Schedule of Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population In Thousands (1)	Personal Income In Thousands (2)(3)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2011	8,029	$ 371,011,000	$ 46,209	1,253,038	6.5 %
2010	7,886	353,827,000	44,868	1,245,937	7.0 %
2009	7,839	342,568,000	43,700	1,236,546	5.6 %
2008	7,758	348,863,000	44,968	1,232,436	3.4 %
2007	7,694	333,573,000	43,355	1,221,939	3.1 %
2006	7,623	314,893,000	41,308	1,214,737	3.2 %
2005	7,512	292,208,000	38,899	1,185,612	3.5 %
2004	7,432	272,713,000	36,694	1,165,905	3.7 %
2003	7,275	255,660,000	35,142	1,156,471	4.0 %
2002	7,051	245,172,000	34,771	1,143,018	4.1 %

(1) Population figure for fiscal year 2011 is estimated.
(2) Personal income amount for fiscal year 2011 is estimated.
(3) Amounts for fiscal years 2007-2010 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources: Department of Education
Department of Taxation
Virginia Employment Commission
U.S. Bureau of Economic Analysis

Principal Employers (1)

Current Year and Nine Years Ago

Employer	2010 Rank (2)	2001 Rank
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Northrup Grumman Shipbuilding, Inc	4	6
U. S. Postal Service	5	5
Sentara Healthcare	6	9
Food Lion	7	4
County of Fairfax	8	7
City of Virginia Beach Schools	9	8
Booz, Allen and Hamilton (3)	10	-

(1) The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.
(2) Calendar year 2010 is the most recent information available.
(3) Previous ranking not available.

Source: Virginia Employment Commission (1)

Operating Information

State Employees by Function (1)

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
General Government					
Virginia Information Technologies Agency	261	295	353	377	400
Department of Taxation	976	1,044	947	1,014	927
Department of General Services	634	654	618	624	634
All other	1,936	1,608	1,918	1,960	1,915
Education					
Colleges and Universities	49,107	47,981	48,485	48,032	48,004
All other	3,287	3,276	3,551	3,806	3,811
Transportation					
Department of Transportation	7,024	6,852	8,261	8,680	8,824
Department of Motor Vehicles	1,949	1,900	1,931	2,001	2,044
All other	242	233	215	239	231
Resources and Economic Development					
Department of Conservation & Recreation	909	930	953	960	753
Department of Environmental Quality	743	768	800	842	882
All other	3,001	2,874	3,334	3,369	3,412
Individual and Family Services					
Department of Health	3,827	3,856	3,750	3,800	3,943
Behavioral Health Agencies	8,757	8,635	8,355	8,341	8,361
All other	5,576	5,622	5,957	5,550	5,540
Administration of Justice					
Department of State Police	2,627	2,533	2,671	2,668	2,700
Department of Juvenile Justice	2,380	2,442	2,314	2,457	2,295
Correctional Facilities	9,656	9,623	10,437	10,802	10,456
All other	6,262	6,314	6,285	6,441	6,454
Business-type Activities					
Department of Alcoholic Beverage Control	2,483	2,461	2,581	2,472	1,938
State Lottery	267	257	252	241	265
All other	82	77	74	50	48
State Total (2)	111,986	110,235	114,042	114,726	113,837

(1) Includes salaried and wage employees but excludes adjunct faculty.
(2) Totals have been rounded and may vary slightly from the Department of Human Resource Management reports.

Sources: Department of Human Resource Management

2006	2005	2004	2003	2002
453	1,068	593	347	342
1,031	1,026	1,047	972	930
621	603	625	583	612
1,778	1,775	1,730	1,944	1,786
47,371	44,725	42,817	41,729	41,717
3,813	3,555	3,528	3,735	3,905
9,338	9,401	9,541	10,204	10,462
2,102	2,056	2,059	1,861	2,214
110	129	145	185	178
709	937	927	847	963
870	862	837	827	846
3,263	3,161	3,244	3,096	3,245
3,817	3,646	3,674	3,657	3,646
7,679	6,609	6,708	6,810	6,930
6,424	7,868	7,850	7,395	7,317
2,604	2,607	2,626	2,499	2,504
2,312	2,222	2,200	2,197	2,353
10,368	10,398	10,286	10,244	10,906
5,382	5,036	5,098	4,880	5,062
1,851	1,726	1,656	1,565	1,636
261	271	304	317	319
257	257	240	237	261
112,414	109,938	107,735	106,131	108,134

Operating Indicators by Function (1)

Last Six Fiscal Years

	2011	2010
General Government		
Virginia Department of Taxation		
Number of Returns Processed (calendar year) (2)	Not yet available	6,998,747
Department of Accounts		
Number of Payments Processed Via Check	1,658,227	1,625,763
Number of Payments Processed Electronically	9,912,627	11,141,067
Percentage Processed Electronically	85.7%	87.2%
Education		
State Council of Higher Education		
Number of Students Enrolled at State-supported Colleges and Universities	519,772	501,866
Department of Education		
Number of Public Primary and Secondary School Enrollment	1,253,038	1,245,937
Transportation		
Department of Transportation		
Number of Vehicles Paying Tolls for the Pocahontas Parkway (3)	N/A	N/A
Resources and Economic Development		
Department of Environmental Quality		
Number of Permits Issued	2,486	2,780
Number of Inspections Conducted	10,441	11,804
Department of Housing and Community Development		
Number of Housing Units Improved to Define Standards through Housing Programs	7,675	7,231
Department of Agriculture and Consumer Services		
Number of Food Inspections Conducted	12,003	13,516
Number of Weights/Measure Equipment Inspected	66,760	53,329
Department of Forestry		
Number of Firefighters Trained in Forest Fire Control	1,192	1,123
Individual and Family Services		
Comprehensive Services for At-Risk Youth and Families		
Number of Youth Served	16,617	17,242
Department for the Aging		
Number of Medicare Recipients	1,143,243	1,122,522
Department of Medical Assistance Services		
Number of Medicaid Recipients	992,816	937,522
Department of Behavioral Health and Developmental Services (4)		
Number of Patients Served	2,724	2,754
Number of Beds Used	3,317	3,396
Department of Social Services		
Average Number of Households Receiving Food Stamps	396,613	350,599
Number of Households Receiving Child Support Enforcement Assistance	352,825	359,317
Department of Health		
Number of WIC Participants	270,219	275,580
Number of Childhood Immunizations Administered	1,773,402	1,602,907

2009	2008	2007	2006
7,079,611	6,893,047	6,746,596	7,860,850
1,715,164	2,597,746	1,431,918	1,522,865
10,059,109	8,065,038	2,861,979	2,684,123
85.4%	75.6%	66.7%	63.8%
467,093	449,671	428,642	412,336
1,236,546	1,232,436	1,221,939	1,214,737
N/A	N/A	N/A	5,746,292
1,925	2,389	3,491	2,011
11,599	11,721	11,730	10,471
5,198	3,248	3,392	3,459
14,639	17,551	14,623	16,350
57,275	84,481	77,921	101,471
1,034	1,200	1,300	1,000
17,957	19,658	18,498	16,722
1,104,765	1,071,681	1,039,059	1,010,487
857,662	818,452	805,458	812,796
2,877	2,915	3,003	3,033
3,533	2,891	2,988	3,499
277,498	240,821	228,116	223,116
359,487	359,977	363,272	361,909
270,378	258,593	270,918	247,386
1,470,403	1,455,166	1,076,412	1,093,450

Continued on next page

Operating Indicators by Function (1) *(continued)*

Last Six Fiscal Years

	2011	2010
Administration of Justice		
Supreme Court		
Number of Criminal Trials (calendar year)	697,360	705,777
Number of Civil Trials (calendar year)	1,289,633	1,372,483
Number of Traffic Hearings (calendar year)	2,069,668	2,143,109
Compensation Board		
Number of Constitutional Officers Receiving Financial Support	650	650
Department of State Police		
Number of Traffic Citations Issued (calendar year)	567,480	686,173
Number of Arrests (calendar year)	20,132	22,713
Department of Corrections		
Number of Inmates	32,116	31,735
Business-type Activities		
State Lottery Department		
Number of Plays Sold - Pick 3	241,963,816	246,899,030
Number of Plays Sold - Pick 4	207,174,550	197,460,420
Number of Plays Sold - Cash 5	26,657,009	28,242,740
Number of Plays Sold - Megamillions	138,496,457	174,882,294
Number of Plays Sold - Win for Life (5)	21,052,138	28,440,948
Number of Plays Sold - Lotto South (5)	-	-
Number of Plays Sold - Millionaire Raffle (6)	6,600,000	6,600,000
Number of Plays Sold - Fast Play Bingo (6)	8,915,566	6,884,748
Number of Plays Sold - Powerball (7)	66,614,340	34,562,352
Number of Plays Sold - Decades of Dollars (8)	8,377,354	-
Number of Tickets Sold - Instant Tickets	756,837,222	711,155,383
Virginia College Savings Plan		
Number of Prepaid Tuition Contractholders	70,955	71,373
Virginia Employment Commission		
Number of Individuals Receiving Unemployment Benefits	162,025	190,370
New Unemployment Benefit Claims	360,657	418,431

(1) In accordance with GASB Statement No. 44, the Commonwealth began reporting these operating indicators in fiscal year 2006. Information was not available prior to fiscal year 2005.
(2) Information is not yet available for fiscal year 2011.
(3) The assets of the Pocahontas Parkway Association, including the rights and obligations to manage, operate, maintain and collect tolls, were sold in June 2006. Therefore, this information is not available subsequent to fiscal year 2006.
(4) This agency is structured to provide services primarily in a community setting. Although they have a significant amount of capital and operating costs in facility operations, inpatient treatment methodology is being deemphasized over time. Their inpatient census will continue to decline in the future. Over $250 million of community funding (state and Federal dollars) each fiscal year supports 40 community services boards across the Commonwealth. These entities serve approximately 300,000 Virginians each year.
(5) Win for Life replaced Lotto South during fiscal year 2006; therefore, information for fiscal year 2005 and prior is not available.
(6) Fast Play Bingo and Millionaire Raffle began during fiscal year 2007; therefore, information for fiscal year 2006 and prior is not available.
(7) Powerball began during fiscal year 2010; therefore, information for fiscal year 2009 and prior is not available.
(8) Decades of Dollars began during fiscal year 2011; therefore, information for fiscal year 2010 and prior is not available.

2009	2008	2007	2006
731,609	741,701	733,714	710,380
1,397,850	1,366,596	1,335,192	1,327,296
2,050,896	2,019,753	1,973,047	1,971,413
654	649	650	650
647,396	652,837	646,166	600,121
23,996	22,475	23,348	22,622
32,708	33,157	31,647	31,072
250,634,329	256,605,411	265,398,821	257,008,607
185,418,033	183,990,214	179,922,714	169,761,961
29,267,637	29,022,974	27,520,707	27,723,536
162,095,735	166,144,927	130,299,581	159,665,341
32,128,730	37,717,958	41,323,625	17,529,322
-	-	-	44,322,641
8,905,555	8,798,720	13,005,307	-
6,772,764	9,229,805	6,600,000	-
-	-	-	-
-	-	-	-
690,382,366	694,902,491	698,271,837	689,315,033
71,898	71,812	71,382	70,006
219,646	122,144	106,554	110,881
474,777	279,939	260,804	260,381

Sources:
Compensation Board
Comprehensive Services for At-Risk Youth and Families
Department of Agriculture and Consumer Services
Department of Education
Department of Environmental Quality
Department of Forestry
Department of Health
Department of Housing and Community Development
Department of Medical Assistance Services
Department of Behavioral Health and Developmental Services
Department of Social Services
Department of State Police
Department of Transportation
State Council of Higher Education
State Lottery Department
Supreme Court
Virginia College Savings Plan
Virginia Employment Commission

Capital Asset Statistics by Function (1)

Last Six Fiscal Years

	2011	2010
General Government		
Department of General Services		
Number of Buildings	54	55
Total Square Footage of Buildings	5,259,506	5,053,912
Vehicles	13,983	13,534
Education		
State Council of Higher Education		
Campuses of In-State Institutions	250	244
Campuses of Out-of-State Institutions	166	121
Transportation		
Department of Transportation		
Bridges Maintained	12,949	12,949
State Maintained Highway Lane Miles	70,105	70,105
Vehicles	7,593	7,734
Number of Buildings (2)	3,520	3,513
Total Square Footage of Buildings	7,916,019	7,713,617
Resources and Economic Development		
Department Conservation & Recreation		
State Parks	37	37
Acres of State Parks (in thousands)	69	71
Natural Area Preserves	39	39
Acres of Natural Area Preserves (in thousands)	30	30
Historic Sites	3	3
Acres of Historic Sites (in thousands)	0.3	0.3
Number of Buildings (3)	1,164	1,164
Total Square Footage of Buildings	1,152,257	1,152,257
Department of Forestry		
State Forests	22	19
Buildings	295	295
Total Square Footage of Buildings	600,602	600,602
Individual and Family Services		
Department of Behavioral Health and Developmental Services		
Number of Buildings	429	438
Total Square Footage of Buildings	5,901,505	5,744,389
Administration of Justice		
Department of State Police		
Number of Stations	65	64
Number of Buildings	145	145
Total Square Footage of Buildings	562,736	562,736
Department of Corrections		
Number of Buildings	1,820	1,835
Total Square Footage of Buildings	11,771,319	11,920,234
Business-type Activities		
Department of Alcoholic Beverage Control		
Number of Buildings	25	25
Total Square Footage of Buildings	1,185,501	1,185,501

(1) In accordance with GASB Statement No. 44, the Commonwealth began reporting these capital asset statistics in fiscal year 2006. Information was not available prior to fiscal year 2005.
(2) Includes storage sheds.
(3) Includes cabins.

Sources: Department of Conservation and Recreation
Department of Forestry
Department of General Services
Department of State Police
Department of Transportation
Department of the Treasury
State Council of Higher Education

2009	2008	2007	2006
48	48	47	45
4,718,480	4,409,026	4,358,746	4,236,832
13,322	13,262	12,779	11,841
254	258	207	116
87	67	63	110
12,912	12,603	12,603	12,603
70,105	70,066	70,066	70,066
8,185	9,060	9,443	9,952
3,526	3,562	3,595	3,582
7,683,384	7,734,267	7,750,199	7,624,896
37	37	37	34
69	68	67	66
39	38	35	34
29	28	25	25
3	3	3	3
0.3	0.3	0.3	0.3
1,168	991	991	989
1,154,487	1,223,427	1,223,427	1,284,589
19	19	17	17
295	295	295	283
600,602	600,602	600,602	587,838
435	441	449	446
5,743,088	6,037,953	6,161,843	6,263,527
66	66	66	66
145	145	143	143
550,736	550,736	526,617	526,617
1,826	1,817	1,809	1,812
12,160,909	11,963,087	11,787,810	11,102,021
24	22	21	22
1,142,273	787,348	784,548	789,548

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